Intergovernmental Mineral Commodity Arrangements

W. KEITH BUCK

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PREFACE

The Canadian mineral industry operates in a global context, heavily dependent on export markets and in unrelenting competition with mineral producers in many countries. With varying success, mineral producers and consumers have looked to intergovernmental organizations to improve market transparency and to assist in moderating the swings in the balance between supply and demand, and, hence, in prices, that are characteristic of the mineral industry. In this study, the author draws on a wealth of experience as both an observer of and a participant in such commodity organizations, and offers his insights and views into their usefulness to the industry.

The Centre's working paper series is offered for information and discussion, in an attempt to inform on-going policy debates and encourage feedback and further research in mineral policy. Views expressed are those of the author, and do not necessarily represent the views of the Centre or its sponsors.

Margot J. Wojciechowski
Centre for Resource Studies

FOREWORD

This study is an attempt to bring together, in summary form and under one cover, pertinent details of the post-World War II history and current status of intergovernmental commodity arrangements in the field of minerals. It does not include the large number of company associations/organizations/institutes which have varying mandates for consultation, data gathering and dissemination, market development and promotion, research and development, etc., or even those of a cartel-like nature.

The study endeavours to highlight the clear distinction in form and operations between full-fledged commodity agreements with binding economic provisions and arrangements which provide a forum for intergovernmental consultations and the enhancement of market transparency. It is based on a background of thirty years involvement in intergovernmental mineral commodity arrangement policy formulation, including twelve years of intimate involvement in the operation and management of the foregoing two types of intergovernmental arrangements.

W. Keith Buck
Centre for Resource Studies

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SUMMARY

Since the conclusion of World War II in 1945, the elaboration of the Havana Charter in 1947-48 and, more intensively, since the birth of the United Nations Conference on Trade and Development (UNCTAD) in 1964 and the conception of the Integrated Programme for Commodities in 1975, there have been almost constant international efforts, for one mineral or another, to create intergovernmental mineral commodity arrangements. The purpose of this study has been to review the history of these efforts for each of the minerals concerned; the progress, or, in most instances the lack of progress, achieved; and the current status of intergovernmental discussions/negotiations. The study highlights the clear distinction in form, operations and efficacy, of the two main kinds of intergovernmental mineral commodity arrangements: full-fledged commodity agreements with binding economic provisions such as those pertaining to price and supply management; and those arrangements which provide a forum for intergovernmental consultations and the enhancement of market transparency, in the real world trading environment of the particular mineral concerned.

The strenuous efforts by UNCTAD and many of the developing countries to achieve international commodity agreements with binding economic provisions for copper, iron ore, bauxite, manganese, phosphate rock and tungsten have been patently unsuccessful. They have not received necessary support from developed producing and consuming countries or, indeed, from some developing producing countries. All are fearful of the harmful distortions which artificial restraints, in the name of stabilization, could do to international trade in particular commodities and/or convinced of the technical difficulties militating against the effectiveness of such arrangements. The soundness of these fears and convictions has been proven by the 1985-86 failure of the International Tin Agreement which has been repeatedly advanced over the years as a model of an effective international mineral commodity agreement. The lessons of the tin crisis and the conceptual weaknesses of the tin agreement provide useful insights for the whole field of intergovernmental mineral commodity arrangements with binding economic provisions.

The history, form and operations of the one existing forum for intergovernmental consultations and the enhancement of market transparency for minerals are described: i.e. the International Lead and Zinc Study Group. This body has been put forward from many quarters as an example of the type of mineral commodity arrangement which could usefully be implemented for other minerals such as nickel, copper, tin,

tungsten, iron ore, and even manganese. Among other things, such an arrangement helps to moderate cyclical tendencies and provide for an element of stabilization in international markets, without the market rigidities and distortions which a full-fledged international commodity agreement with binding economic provisions would induce. Some of the decision time lags are eliminated or shortened. Investments are more likely to be timed to correspond to consumption needs. Surpluses and shortages are reduced and price swings dampened. Indeed, transparency itself may increase the efficiency of normal market mechanisms rather than lead to the imposition of measures to replace market mechanisms.

A number of intergovernmental producer-only organizations have been created for copper, iron ore, bauxite, tin and sulphur. It appears that they have been largely ineffective as a force for stabilization, due, in large part, to a lack of consumer country representation and the absence of any regular basis of senior industry representatives on country delegations.

RESUME

Depuis la fin de la Seconde Guerre modiale en 1945, l'élaboration de la Chartre de Havane en 1947-48 et, plus encore, depuis la création de la Conférence des Nations-Unies pour le commerce et le développement (CNUCED) en 1964 et la conception du Programme intégré pour les produits de base en 1975, des efforts internationaux plus ou moins constants ont été faits pour conclure des ententes intergouvernementales aux minéraux de base pour de nombreux minéraux. Le but de cette étude est d'examiner l'historique de ces efforts pour chacun des minéraux en question, le progrès accompli ou plutôt, dans la plupart des cas, le manque de progrès, et de faire le point sur l'état actuel des négociations/discussions intergouvernementales. L'étude met en évidence la nette différence en ce qui concerne la forme, la fonctionnement et l'efficacité des deux types principaux d'ententes intergouvernementales aux minéraux de base: d'une part les ententes en due forme comprenant des stipulations économiques obligatoires comme celles ayant trait à la gestion des prix et de l'offre, d'autre part les ententes qui servent simplement de tribune pour des consultations intergouvernementales et l'amélioration de la transparence du marché dans le monde du commerce réel pour le minéral en question.

Pour le cuivre, le minerai de fer, la bauxite, le manganèse, la roche phosphatée et le tungstène, les efforts acharnés de la CNUCED et de plusieurs pays en voie de développement pour conclure des ententes internationales aux produits de base comprenant des stipulations économiques obligatoires se sont soldés par des échecs. Ni les pays développés producteurs et consommateurs ni même certains des pays producteurs en voie de développement ne les ont suffisamment appuyés. On craint généralement que, plutôt que de le stabiliser, ces restrictions artificielles n'aient des effets nocifs sur le commerce international de certains de ces produits de base et on est convaincu que les difficultés techniques feront obstacle à l'efficacité de ces ententes. Le bien-fondé de ces craintes et convictions a été démontré par l'échec en 1985-86 de l'Accord sur le zinc que l'on citait souvent par le passé comme un modèle d'entente internationale aux produits de base à cause de son efficacité. La crise du zinc et les points faibles de l'accord sur le zinc nous permettent d'en tirer des leçons pour mieux comprendre tout le domaine des ententes intergouvernementales aux minéraux de base comprenant des stipulations économiques obligatoires.

On décrit l'historique, la forme et le fonctionnement d'une de ces tribunes permettant actuellement aux gouvernements de discuter et de

chercher à améliorer la transparence du marché; notamment le Groupe international d'étude du plomb et du zinc. Cet organisme a été maintes fois cité en exemple parce que selon certains c'est là le type même d'entente aux minéraux de base qui serait très utile pour d'autres minéraux tels le nickel, le cuivre, l'étain, le tungstène, le minerai de fer et même le manganèse. Une telle entente sert entre à modérer les tendances cycliques et est un élément stabilisateur dans les marchés internationaux, sans leur imposer les restrictions et les distorsions qu'entraîne d'habitude une entente internationale aux produits de base en bonne et due forme comportant des stipulations économiques obligatoires. Le décalage entre le moment où les décisions sont prises et celui où elles entrent en vigueur est éliminé ou réduit. Les investissements sont plus susceptibles de correspondre aux besoins de la demande. Les surplus et les pénuries diminuent et les sautes de prix également. Il se peut effectivement que la transparence elle-même accroisse l'efficacité des mécanismes normaux de marché plutôt qu'elle ne mène à la mise en place de mesures pour remplacer les mécanismes du marché.

Un certain nombre d'organismes intergouvernementales de pays producteurs seulement ont été créés pour le cuivre, le minerai de fer, la bauxite, l'étain et le soufre. Il semble qu'ils aient été incapables de stabiliser le marché surtout parce que les pays consommateurs n'étaient pas représentés et parce que les délégations des pays producteurs ne comprenaient pas de représentants choisis parmi les cadres supérieurs de l'industrie.

1. INTRODUCTION

Intergovernmental mineral commodity arrangements do not have a long history. Indeed, it could be considered that they only date back to the very early 1920s. The period from 1921 to the mid World War II years could be characterized by narrow efforts of a cartel-like nature by a very few colonial governments in the developing world to support the market price for tin, the mineral commodity of special concern to them.

It paralleled similar cartel action for other minerals by a number of producing companies throughout the world. The overwhelming emphasis, both intergovernmental and corporate, was on producer coordination, to the virtual exclusion of consumer interests or participation.

This study is concerned with the period which commenced at the end of World War II, following the establishment of the United Nations and the wide acceptance of the Havana Charter[1] for international trade. It is characterized by national and international activities which increased markedly in tempo from 1965 onwards.

As with the period between the two world wars, the first intergovernmental mineral commodity arrangement after the Havana Charter was for tin, initially as an intergovernmental consultative forum (Study Group). This forum was chosen largely because of United States concerns (supported by the United Kingdom) about the cartel-like nature of the 1931-1946 series of commodity agreements for tin. In 1956, the Study Group was succeeded by the current series of full-fledged commodity agreements with binding economic provisions (which the United States joined only for the Fifth Agreement, again because of concerns for the market effect of such arrangements in the field of minerals). It is this series of tin agreements which has now collapsed, reinforcing the very real concerns held by a number of countries as to the efficacy of commodity agreements with binding economic provisions.

It was concern for a serious world market situation for lead and zinc, reinforced by the 1958 U.S. imposition of quotas on the importation of lead and zinc, that led to the formation in 1959 of an intergovernmental consultative forum (Study Group) for lead and zinc. That the Study Group for lead and zinc never became a full-fledged commodity agreement is attributable not only to the lack of support within its member countries for such a binding arrangement but also to satisfaction with an arrangement which provided a forum for intergovernmental consultations (with senior industry advisers a key component of country delegations) and the enhancement of market transparency.

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1. See chapter 2 for details of the Havana Charter.

It was in the early 1960s, following the establishment in 1958 of the United Nations Committee on Permanent Sovereignty over Natural Resources, and reinforced by the creation of OPEC in 1960 and of UNCTAD in 1964, that governments of many developing countries began to participate actively in the mineral industries of their countries and that the international community became more conscious of the importance to developing countries of stability in commodity markets.

UNCTAD IV in Nairobi in 1974 with its acceptance of a New International Economic Order (NIEO), and even more particularly the conception in 1975 of the Integrated Programme for Commodities (IPC), led to a wide ranging and long lasting series of meetings and conferences, intended to lead to intergovernmental commodity agreements for the five minerals (copper, bauxite, iron ore, manganese, and phosphates) of the IPC group of minerals which did not already have such an arrangement, there already being a commodity agreement for tin. At the same time, efforts were under way within UNCTAD to create a Common Fund to finance the buffer stocks of commodity agreements.

The greatest attention among the five minerals of the IPC was given to copper, which was intended to be the example of what was to be achieved for the other four. Iron ore followed, in terms of the amount of time and number of meetings devoted to it. In comparison, little time and very few meetings were devoted to bauxite, manganese and phosphates, primarily because of a noticeable lack of interest on the part of the producing countries concerned. Throughout the 1960s, 1970s and 1980s, a long series of intergovernmental meetings were also held on tungsten, outside the IPC program. None of these international deliberations, all under UNCTAD auspices since its creation in 1965, has resulted in the establishment of a hoped-for intergovernmental mineral commodity agreement with binding economic provisions. Although a number of meetings have been associated with the collection and dissemination of statistical and economic information considered useful by participating countries, they have been costly in time, effort and money and long on frustration, with the same arguments recurring repeatedly in the effort to force full-fledged commodity agreements on unwilling participants. In large part, through the resultant politicized atmosphere, there has been a failure to foster useful dialogue between producers and consumers.

It is in this environment that the international tin crisis of 1985/86 prompts a fundamental review of what is really efficacious in the field of intergovernmental mineral commodity arrangements.

2. THE WORLD INSTITUTIONAL ENVIRONMENT

Following the cessation of hostilities and the formation of the United Nations in 1945, international efforts, led by the United States and supported by the United Kingdom, were made to develop a multilateral approach to international trade through the creation of an international trade organization. The actual formulation of the scheme was undertaken through conferences in London (1946), Geneva (1947) and Havana (1947-48) under the auspices of the United Nations Economic and Social Council (ECOSOC). As finally elaborated at Havana, the charter (known as the Havana Charter) contained not only provisions for a commercial policy, but also chapters on such other matters as employment and economic activities, economic development and reconstruction, restrictive business practices, and (important in the context of this report) a mechanism governing the institution and operation of intergovernmental commodity agreements.

Relative to raw materials, the Charter accepted the principle that, in certain cases and under certain conditions, intergovernmental commodity agreements were appropriate to deal with a long-term supply surplus. Implementation of such agreements would first require a set of findings by an intergovernmental commodity conference or by the International Trade Organization. The set of findings required a positive answer to a series of questions:

i that a burdensome surplus of the primary commodity has developed or is expected to develop;

ii that, in the absence of specific governmental action, this would cause hardship to producers (including small producers);

iii that - since price reduction did not readily increase consumption or decrease production - normal market forces would not operate in time to prevent hardship;

iv that widespread unemployment or under-employment had developed which could not be corrected by normal market forces in time to prevent widespread and undue hardship to workers, through price reduction leading to a reduction in employment and the producing area not affording alternative employment opportunities for the workers involved.

Further, the Charter accepted the principle that a commodity agreement would also be appropriate to maintain and develop the natural resources of the world and to protect them from unnecessary exhaustion.[2]

Although the Havana Charter was never ratified by any of the major countries, the views which it expressed on raw materials were to remain "gospel truth" to governments for many years. All the recognized intergovernmental study groups or agreements or proposed agreements on commodities since 1947-48 have been obliged to acknowledge their debt to the Havana Charter, subject only to modifications, interpretations and extensions which have been made by the UN Economic and Social Council and later by the United Nations Conference on Trade and Development (UNCTAD).[3]

The current active participation of the governments of many of the developing countries in their mineral industries could be said to have had its origins in the establishment by the United Nations in 1958 of its Committee on Permanent Sovereignty over Natural Resources. The work of the Committee led, in December 1962, to the United Nations offering, as a basic principle of public international law, that States exercise permanent sovereignty over their natural wealth and resources, in the interest of their national development. The international community was becoming more conscious of the importance to developing countries of stability in commodity markets, if this could be achieved. Developing countries themselves were pressing their need for increased export earnings and the avoidance of excessive fluctuations in international commodity prices, as a basis for their economic growth.

During this period, in 1960, OPEC was formed, and gained initial success in maintaining the posted prices of crude oil on which their tax income from the multinational oil companies was derived. OPEC attained true international legitimacy in 1965 by being "recognized" by the United Nations. In June 1968, the Vienna OPEC Conference adopted its "Declaratory Statement of Petroleum Policy in Member Countries", which asserted the principle of permanent sovereignty of all countries over their natural resources and laid down the additional principle of "government participation" in crude oil concessions. Following Libyan intervention in 1969, the Tehran OPEC Agreement of December 1970 was the culmination of OPEC threats to place an embargo on crude oil and the confiscation of concessions unless government revenues were raised. Within the space of a few short years, country after country in the developing world nationalized their domestic oil industries. The pinnacle of OPEC's success was

2. William Fox, Tin - The Working of a Commodity Agreement; (London: Mining Journal Books Ltd., 1974), pp. 206, 207.
3. Ibid., p. 206.

its highly disruptive, selective world oil embargo[4] in response to the Arab-Israeli conflict of September, 1973.

The overall success of OPEC in the late 1960s and early 1970s led to the establishment of a number of intergovernmental mineral producer-only organizations - for copper, bauxite, and iron ore and, the most recent of all, tin - as a means of attaining closer coordination of the interests of producing countries for the more effective and more comprehensive regulation of primary commodity markets. These particular intergovernmental producer-only organizations lacked the "clout" once held by OPEC, for several reasons: the very nature of the geographical spread of the production of the minerals concerned; the unwillingness of some important producing countries to join intergovernmental arrangements which contain economic provisions; the unwillingness, in some cases, of some important producer countries in the developed world to join intergovernmental arrangements which do not also provide for consumer country participation; and, importantly also, the absence of any sense of political cohesion such as existed to a large extent in OPEC. They have had an effect, however, on the general international climate for mineral exploration, development and investment.

The 1960s also witnessed the birth of the United Nations Conference on Trade and Development (UNCTAD). The major United Nations trade meeting which conceived it as a permanent organ of the United Nations was held in Geneva in the Spring of 1964 to discuss the economic problems facing the developing world. The meeting brought together for the first time in a cohesive, united group 75 (later 77 and, still later, many more) of the less developed countries. This meeting gave rise to the term "the Group of 77". At the conference, Group members generally presented their views on trade and development as a bloc. Constituting a majority of the 120 countries represented, the Group of 77 was able, in many instances, to vote the adoption of its recommendations by the Conference. The major recommendations concerned international trade in primary commodities and preferential tariff treatment of goods exported by the less developed countries. It was left to the discretion of individual countries, however, to decide whether to attain overall stabilization in primary commodity markets through international commodity agreements or by trade liberalization programs.

During the 1970s, a series of UNCTAD meetings led to the acceptance in UNCTAD IV, held in Nairobi in 1974 (albeit with qualifications on the part of some developed countries), of a New International Economic Order. Shortly thereafter, in 1975, the Integrated Programme for Com-

4. Implemented by the Arab members of OPEC under the umbrella of the Organization of Arab Petroleum Exporting Countries (OAPEC).

modities (IPC)[5] was conceived as a response by the Trade and Development Board and the Secretariat of UNCTAD to a call made in the Programme of Action on the Establishment of a New International Economic Order adopted at the Sixth Special Session of the UN General Assembly and a subsequent General Assembly resolution:[6]

> In its rationale and scope, the IPC differed fundamentally from the Havana Principles which, until UNCTAD I in 1964, were the prime regulators of international commodity agreements. The Havana concept of commodity regulation recognized the need for an international commodity agreement only in an extreme situation of "burdensome surplus" of a commodity and heavy unemployment in a commodity industry which could not be dealt with by normal forces within a reasonable time.[7,8]

The IPC moved away from this concept and is firmly based on the UNCTAD principles first declared in 1964. These reiterate that international trade is "one of the most important factors in economic development", and recognize that "commodity agreements serve to secure overall stabilization in primary commodity markets".[9,10] International measures on commodities were now being sought not only to deal with emergency situations mentioned in the Havana Charter but also for providing stable means of securing economic and social well-being in developing producer countries.[11]

Fundamental to the IPC was the setting of wider objectives for international commodity arrangements, including the improvement of marketing systems, diversification, expanded access to markets, and measures to counter inflation, in addition to the traditional objectives of stable and remunerative prices. Moreover, it emphasized the principle of cooperation between exporters and importers, or producers and consumers.

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5. UNCTAD: Proceedings of UNCTAD, Fourth Session, Nairobi, vol. 1, Final Act and Report, Resolution 93(IV), 30 May 1976, U.N., New York.
6. UN General Assembly: Resolution 3202 (S-VI), 1 May 1974, UN. New York.
7. UNCTAD: Final Act and Related Documents, Havana, Cuba, 21 November, 1947, to 24 March 1948, UN, New York, USA, 1948, chapter VI and article 62.
8. Kabir-ur-Rahman Kahn, "The Integrated Programme for Commodities - An Assessment of Negotiations on Minerals and Metals", Resources Policy, September 1979, p. 170.
9. Ibid., p. 170.
10. UNCTAD, Proceedings of UNCTAD, First Session, vol. 1, Final Act and Report, U.N., New York, 1964, pp. 17-65.
11. Kabir-ur-Rahman Kahn, "The Integrated Programme for Commodities", p. 170.

The key features of the IPC were its comprehensive coverage of problem commodities; its concept of a distinct source of financing in the form of a Common Fund which would presumably enhance commodity price stability through assisting individual commodity agreements in the financing of their stocking operations; its multi-dimensional approach to international arrangements for individual commodities, e.g. proposals for the expansion and liberalization of international compensatory financing;[12] and its attempt to balance benefits and obligations among participating producer and consumer countries.

The IPC, which covered 18 basic commodities including six minerals,[13] led to a series of abortive conferences, under UNCTAD auspices, designed to negotiate a number of mineral commodity agreements with binding economic provisions, such as price ranges, buffer stocks and export control arrangements. Coincident with these individual commodity discussions, efforts were under way within UNCTAD to initially consummate an agreement to establish a Common Fund, initially to be used to finance the buffer stocks of existing and new commodity agreements.

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12. For example, the IMF's Compensatory Financing Facility initially provided, before subsequent liberalizations, low interest loans to developing member countries to offset temporary declines in net foreign exchange earnings from commodity exports.
13. The six minerals are bauxite, copper, iron ore, manganese, phosphates and tin.

3. SPECIFIC MINERAL COMMODITIES

Having dealt briefly with the overall institutional environment affecting the world mineral industry following the conclusion of World War II, it is appropriate to consider the international efforts made to develop intergovernmental mineral commodity arrangements. Consideration will first be given to the early post World War II attempts which resulted in the creation of two very different intergovernmental mineral commodity arrangements comprising both producing and consuming countries. Both arrangements, which continue today (albeit most precariously for tin), predated the birth of UNCTAD. The first arrangement, for tin, is a full-fledged commodity agreement with binding economic provisions of price range, buffer stock and export controls. The second arrangement, for lead and zinc, is purely consultative in character.

Tin

In considering post-World War II efforts to establish an intergovernmental mineral commodity arrangement for tin, one must first examine, if only briefly, the various tin management arrangements which were put in place between the two world wars. The perceived strengths and weaknesses of these early arrangements provided an ever present background to post-World War II considerations and negotiations.

The first intergovernmental arrangement for tin was the Bandoeng Pool, established in February 1921 by the colonial governments of the Federated Malay States (now Malaysia) and the Netherlands East Indies (now Indonesia) to hold tin stocks purchased by the two governments during the post-World War I recession of 1919 and 1920, to support the world tin price. It was not within the mandate of the Pool to take new supplies off the market and thus augment its initial stocks. Moreover, there was no provision for production controls in its enabling agreement. The object of the Pool was simply to hold the accumulated stocks off the market until the market price recovered to what was considered to be an acceptable level.[14]

The London price began to steady following the establishment of the Pool and it rose almost continuously until the beginning of releases from the Pool in April, 1923; with disposals completed in 1925, the Pool ceased to influence the market.

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14. For a definitive description and analysis of the various supply/price management arrangements for tin between the two world wars, see William Fox, Tin - The Working of a Commodity Agreement, pp. 112-204.

The second intergovernmental attempt[15] to influence the tin market was in November 1930, when a draft intergovernmental agreement was approved in principle by the colonial governments of the Federated Malay States, the Netherlands, East Indies and Nigeria and also Bolivia.[16] The first, pre-World War II International Tin Agreement (ITA) came into force in March 1931 for two years, with the general objective of securing a balance between tin production and consumption, thereby preventing rapid and severe price oscillation. It laid the foundations for tin control for the next ten years. Its general principle - the regulation of production by government-enforced quotas - was maintained in the second agreement of 1934-36, in the third agreement of 1937-41 and in the nominal fourth agreement of 1942-46. The same principle was also to be contained in the six wider international agreements (post-World War II), operative from 1956 onwards.

There were, of course, differences in detail, sometimes important, in the agreements of 1931-46 which arose from the need to strengthen the initial machinery of the first agreement, to tighten its administrative control, or in reaction to outside public opinion.

Coincidental with the first agreement, an international tin pool was formed in the latter part of 1931 by British and Dutch private groups, with the cognizance and approval of the countries signatory to the International Tin Agreement. The chairman of the governing committee was chairman of the pool board and the life of the pool was tied to the life of the tin control agreement. Its transactions and price policy were secret. The build up of world tin stocks through the depression years, 1929, 1930, and the first half of 1931 had been phenomenal; immediately upon being established in the autumn of 1931, the pool began purchasing tin and, throughout 1932, its level of accumulated holdings represented nearly one half of the world's visible supply of tin metal, thereby preventing a complete collapse of the world tin price. A strengthening of the market price, a revival of world tin consumption and the continuation of export controls through 1933, enabled the tin pool to supply the recovering market from its stocks. It began selling its tin, apparently about June-July, 1933, and had disposed of its remaining stocks by the early part of 1934, prior to the end of the first International Tin Agreement.

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15. It followed an unsuccessful attempt in 1929, by certain producing companies, to solve the problem of high tin stocks arising out of overproduction and a dramatically declining level of world consumption at the commencement of the Great Depression of the 1930s.
16. The United Kingdom Colonial Office, although agreeing in principle with a compulsory control scheme, wanted assurance that the proposed agreement would safeguard the interests of consumers, and that Malaya and Nigeria would have a complete plan of the scheme, before giving its approval.

The committee's own buffer stock (a late feature of the Second and Third Agreements), however, was present over part of 1935 but was not a force of importance).

The first two agreements of the 1930s made no provision for representation of consuming countries. This left the governing body, the International Tin Committee, open to criticism as a producers' cartel. The third agreement of this period provided formally for an invitation to a representative of each of the two largest consumers (i.e. the USA and the U.K.) to attend meetings and to tender advice to the committee regarding world stocks and consumption but without the right to vote. The fourth agreement provided for two representatives of the tin consuming interests of the USA and one from consumers other than the USA. It was consistently the view of the consuming country representatives that it was desirable that there be a stable price for tin; that the price level on which the committee based its operations was always too high; and that the high level of tin prices would push consumers into seeking ways of conserving tin in existing uses or developing substitutes for tin. During 1942-46, although the consumers' representatives attended some meetings, they took little part in the activities of the committee which itself, as a consequence of World War II and the need for maximum production, was generally inactive.

The committee, therefore, had little to do in the six World War II years, 1940-45. It did, however, as a first task maintain its system of export quotas, not really as a means of controlling production but in order to preserve the principle of member country allocation. Its second task was to wind-up the buffer stock of the third agreement formally and this was completed in 1942.

The committee, reluctantly accepting the impossibility (primarily due to U.K. and U.S. opposition) of creating a fifth agreement to be operative from 1 January 1947 along the lines of the preceding four agreements, and under pressure from all its member governments, met in March 1946, maintaining that a tin surplus would arise in the future; that international cooperation in tin should be continued; and that members of the committee should consult with the more important nonmember producing and consuming countries to frame acceptable international institutions. The committee met for the 88th and last time in December 1946.

United States opposition to a fifth agreement was based on its commitment to the expansion of world trade and employment through the fullest use of private trading channels on a multilateral basis and in a non-discriminatory way. This involved the reduction or elimination of restraints to the flow of goods in world commerce and, in particular, of international arrangements, whether private or intergovernmental, which restricted markets or fixed prices.

In October 1946, the British government convened an international tin conference in London for the purpose of establishing a new intergovernmental organization for tin fully in line with the principles of the new draft Havana Charter for international trade organizations and the institution and operation of intergovernmental commodity arrangements. On the question of a successor organization to the International Tin Committee, the USA recognized that burdensome surpluses of tin might arise and indicated that it would be prepared to cooperate in an international solution if the basic principles for the new international trade organization were observed. It "advocated the setting up of a study group whose function would be to discuss problems and special difficulties in the production, smelting and use of tin; to initiate such studies on tin as would appear to be wise and necessary; to consider possible solutions to tin problems as they arose; to make appropriate recommendations to member governments and to keep other interested governments informed."[17] The United Kingdom agreed on the setting up of the study group, on the grounds that when a tin surplus came there would be an existing body to discuss solutions, including the regulation of output and buffer stocks.

The London tin conference led to the formation of the International Tin Study Group, with an initial membership of 14 countries (including the USA), comprising both producers and consumers and headquartered in The Hague. The group held its first meeting in Brussels, in April 1947. Its terms of reference contained a key clause, common in the terms of reference of such study groups, giving responsibility to the group to consider possible solutions to world problems which were unlikely to be solved by the ordinary development of world trade in tin.[18]

In its earlier years, the Tin Study Group worked hard and fast; in its later years it was essentially a body waiting for an international agreement to mature. Indeed, during its existence from 1948 to 1956, the Study Group held eight full conferences, awaited the work and reports from four working parties, produced four draft international tin agreements, saw two United Nations Conferences on tin, and waited no less than eight years for an international commodity agreement for tin to be accepted.[19]

In 1956, the current series of 5-year International Tin Agreements with binding economic provisions of price range, buffer stock and export controls was initiated. The agreements are governed by the International

17. William Fox, Tin - The Working of a Commodity Agreement, pp. 197, 198. William Fox was Secretary of the International Tin Council from its inception in 1956 until his retirement in 1971, and of its predecessor Study Group from 1948 to 1956.
18. Ibid., p. 208.
19. Ibid., p. 208.

Tin Council and headquartered in London, England. The current membership for the Sixth Agreement comprises 22 countries.

Like the five pre-World War II International Tin Agreements, the six post-war 5-year agreements established an international producer/consumer arrangement designed to achieve a long-term balance between world tin production and consumption and to prevent excessive fluctuations in the price of tin. The agreements have sought to do this by means of purchases and sales of tin metal from an internationally owned and controlled buffer stock and, if necessary in a situation of serious imbalance of supply over demand, by limitations on exports from producing countries.

The Council, set up by the first international tin agreement of 1954 and continued by subsequent agreements, was a body created at a conference convened by the United Nations. Its formal existence depended upon a resolution of that conference; the very language in which its principles were expressed depended on the draft Havana Charter and on the interpretation and modifications of that draft charter by later meetings of the United Nations and, even later, of the United Nations Conference on Trade and Development (UNCTAD). The Tin Council, however, was not an integral part of the United Nations or of UNCTAD, nor did the policy decisions of the Council depend on the United Nations. Whatever may have been the debt for its existence to the United Nations, the Council was never part of the United Nations machinery. At no time has the United Nations felt that it had a right to interfere in the work of the Council. The Council had an economic function to fulfill and an economic agreement to operate; by its concentration on this task, the Council built up its reputation, continued its existence without any serious challenge, and so helped itself to avoid the interminable flood of politico-economic arguments which have always threatened to overwhelm UNCTAD.[20] It was William Fox's contention that, in this concentration, the Council lost something.[21] Anxious to maintain its prestige as an effective, continuing body with authority and teeth, it tended to follow rather rigidly the same path of export control and buffer stock, and it never looked seriously at any other possibilities. In Fox's view "it had some justification for the rigidity of its thinking; there have been so few winners in the field of intergovernmental commodity control agreements that, given a successful runner in tin, no one has desired to change its riding rules and riding habits".

Fox's use of the phrase "given a successful runner in tin" arose out of his intimate experience with the first three international tin agreements

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20. Ibid., pp. 243, 244.
21. Ibid., p. 244.

and his informed observations of the fourth tin agreement. Undoubtedly, there was then a wide (albeit not universal) acceptance that the first four post-World War II international tin agreements were generally successful and served as models which might appropriately be emulated in the creation of international commodity agreements, with binding economic provisions, for other basic commodities.

Fox concluded that the first four post-World War II tin agreements substantially smoothed down short-term price fluctuations.[22] Harold W. Allen, who was executive chairman of the Council from 1962 to 1976, drew the same conclusion on the basis of his analysis of price movements during the first four agreements.[23] Fox, however, accepts that price movements during the first four agreements did not suggest long-term stability in price.[24]

The U.S. Department of State's Bureau of Intelligence and Research in a 1981 study contended that "even a quick reading of commodity agreements' history suggests that international commodity agreements have produced little price stability. Economic studies strongly support this conclusion".[25] With respect to tin, the study cites Smith and Schink,[26] who concluded that the United States tin stockpile had lent far more stability to the tin market than the buffer stock operations of the International Tin Agreement, in large part because it is many times larger than the International Tin Agreement's tin buffer stock (in the order of three to four times the maximum stocking level authorized by the Sixth Agreement). For example, the study noted that sales of tin from the United States stockpile had a moderating effect on prices after they rose far above the International Tin Council's ceiling price during 1963-66 and 1973-74.

Fox also contended that the general upward movement in prices under the first four agreements, along with the general increase in production under the third agreement, benefited the import earnings of practically all the producing countries. He admits, however, that the agreements in themselves never seriously pretended to be able to do anything

22. Ibid., p. 389.
23. H.W. Allen, "Accent on Price", International Tin Council, October 1980, unpublished report, p. 19, para. 78 and p. 49, para. 138.
24. W. Fox, Tin - The Working of a Commodity Agreement, p. 393.
25. U.S. Department of State: "International Commodity Agreements: New Wave or Ebb Tide", Bureau of Intelligence and Research, U.S. Dept. of State, May 8, 1981, p. 6, 7.
26. Gordon W. Smith, and George R. Schink, "The International Tin Agreement: A Reassessment", The Economic Journal, vol. 86, December 1979, pp. 715-728.

to stimulate tin consumption.[27] One has only to examine the articles of agreement for successive tin agreements, whether post or pre-World War II, to recognize the overwhelming emphasis on floor and ceiling prices, buffer stock operations and export control provisions - all producer oriented. The one short article in recent agreements dealing with action in the event of a tin shortage (not with the stimulation of consumption!) has been largely a cosmetic gesture to consumer interests. In essence, the various agreements have been price-stabilization oriented, in keeping with the historic preoccupations of tin producing countries.

As a measure of its success from the point of view of the producing member countries, the Council, through the use of its buffer stock and export controls, prevented (at least until the Sixth Agreement) the market price for tin from falling below the Council's floor price, except once for a few brief days in September 1958. From the point of view of the consuming member countries, however, the Council was unsuccessful on a number of occasions in preventing the market price from exceeding the ceiling price. Such occasions seemed to provide a stimulus for the Tin Council, under producer pressure, to raise the price range as a whole so that it, in effect, followed each rising market price trend. Many observers, including the present author, are of the opinion that the price range maintained by the Council, which over the years of all the Agreements was periodically increased but never decreased regardless of world market conditions, resulted in an artificially high world market price for tin compared with other mineral commodities. Indeed, during the ten-price for tin compared with other mineral commodities. Indeed, during the ten-year period through 1985, while other base metals such as copper, lead and aluminum have seen a marked real term fall-off in prices, tin has effectively doubled in price in real terms since 1970. On the London Metal Exchange (LME), the average price of tin increased from about £3,500 in 1974 to about £10,000 in mid-1985. In the same general period, tin has witnessed a sharp decline in per capita consumption (from about 51 grams of tin per capita in the western world in 1970 to about 35 grams in 1984) and a notable increase in the commissioning of productive capacity worldwide.[28] Artificially maintained high tin prices have encouraged the substitution of other materials for tin, particularly in the container and solder industries. This development has been detrimental to the best long-term interests of the tin producing member countries of successive International Tin Agreements.

In at least one other respect, the tin producing member countries have suffered in comparison with non-member countries of the Agree-

27. W. Fox, Tin - The Working of a Commodity Agreement, p. 393.
28. David Gilbertson and John McLaughlin, "Future of Tin at Risk"; Metal Bulletin, 7 December 1984, p. 18.

ments. Despite the fact that International Tin Council tin prices generally stayed above market trends, "there was insufficient encouragement of new investment, particularly in the five years following 1973. This was due largely to the taxes on gross production and tin exports by (member) producing countries, which accounted for a significant portion of the cost of producing tin. Thus the price range did not generate market efficiency".[29]

In the negotiations for the Fifth Agreement, every effort was made to design an agreement which would encourage the United States to join. In the event, negotiations were successful and the United States acceded to the Fifth Agreement. Its accession, however, led to a marked change in the character of the Council's deliberations.

During the first three Agreements, decisions on such contentious matters as price range levels and export controls were frequently taken by consensus. This was always the case throughout the Fourth Agreement. With the Fifth Agreement, to which the United States adhered for the first time, decisions could not be made without resort to voting. Disharmony during the Fifth Agreement made it exceedingly difficult to consummate a Sixth Agreement. An important new provision of the Sixth Agreement was that of providing for compulsory contributions to the buffer stock from consuming member countries. This provision was probably the major reason for the withdrawal of the Eastern European Socialist countries from the activities of the Council. The United States also declined to join the Sixth Agreement, as did Bolivia, thereby greatly weakening both consumer and producer participation in the Agreement.

The Tin Council faced an administrative crisis in 1976 - a crisis which cast a pall over producer-consumer relations for a number of months. With concern for suspected irregularities at one of its western European offices, an important metal trading company conducted an on-the-spot investigation during the absence on holiday of its local manager. During the investigation, a number of documents were found which indicated that both the Buffer Stock Manager and the Deputy Buffer Stock Manager of the International Tin Council had been engaged in private market transactions on their own behalf resulting in deposits in bank accounts in their names in Switzerland and the United States. This information was quietly conveyed to the United Kingdom delegate to the Council who, in turn, quietly informed the then Executive Chairman of the Council of the discoveries.

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29. Patrick James Caragata, "Non-Fuel Minerals and Canadian Foreign Policy: Negotiating from Strength and Weakness"; Ph.D. Thesis, Department of Political Economy, University of Toronto, 1980, p. 256.

Following private discussions with appropriate key officers of the Council, and the making of temporary alternative arrangements for the management of the buffer stock (the buffer stock was active in the market at the time), the Executive Chairman suspended the two Secretariat officials, pending a further examination of misconduct. The examination created a difficult atmosphere during the negotiations for the Fifth Agreement, extending to the transition from the Fourth to the Fifth Agreement. The situation developed into one in which most consuming member countries expressed concern for the integrity of the Agreement and its Buffer Stock operations and in which most producing countries pressed for the reinstatement of the suspended officials. Following protracted negotiations with the two officials concerned, leading to a "golden handshake" and the Council's agreement to consider the matter closed, the two officials tendered their resignations which were accepted.

As a result of the crisis in the Buffer Stock department, the then Executive Chairman of the Council stepped down to become Senior Adviser (retired in the autumn, 1980) to a new Executive Chairman for the Fifth Agreement. Also, the letters of employment for the Executive Chairman and all other senior officials of the Secretariat were strengthened from a legal point of view in an endeavour to safeguard against a similar situation occurring at some future date.

Quite separate and apart from the 1976 Tin Council episode, in any intergovernmental commodity organization dealing with an internationally traded mineral, it is imperative that the officers concerned with the management of the organization's secretariat maintain the highest standard of management and financial ethics; it is particularly critical when large buffer stock operations are involved.

It has taken the 1980-82 world recession, prolonged into the mid 1980s for minerals and metals, to point up the inherent weaknesses of full-fledged international commodity agreements with binding economic provisions in general, and of the tin agreement in particular. To be truly effective in protecting floor and ceiling prices, commodity agreement buffer stock managers must have (or have access to through borrowing) almost unlimited amounts of financial resources (in the case of an attack on the floor price) and very substantial quantities of physical metal (in the case of an attack on the ceiling price). The Tin Council has never held sufficient quantities of physical tin to protect the ceiling price for any prolonged period, hence its weakness from the consumer's point of view. From the producer point of view it has, until the present agreement, had (or had access to through borrowing) sufficient financial resources to protect the floor price.

The difficult 1982-85 international market situation for tin, given continued high world production of tin relative to consumption and an un-

realistically high price range relative to the market prices of other primary mineral commodities, resulted in a crisis for the International Tin Council, the London Metal Exchange (LME), a number of commercial banks, and the world tin market. On 24 October 1985, the Tin Council literally ran out of money in its prolonged effort to support the world tin price, an effort which had begun in February 1982, four months before the expiry of the Fifth Agreement. In immediate response to this situation, and indicative of its seriousness, the LME suspended tin trading on the Exchange.

In the weeks between 24 October 1985 and 12 March 1986, when the LME took action to "solve" the crisis - under prescribed conditions - strenuous efforts were made by the commercial banks, LME dealers and the International Tin Council to design a limited rescue operation which would take over the Tin Council's massive market obligations. The essential remit of the rescue operation was that of acquiring ownership through a newly-created private company, of the 85,000 ton buffer stock - of which 45,000 tons were pledged as collateral for very large monetary loans to the Tin Council. The aim was to ensure that the tin was not unloaded suddenly on the market but was placed in an orderly way on the market over a period of three years. The final £270 million rescue package, as it evolved over 4 1/2 months, was only reluctantly agreed to by several consumer members countries. The final death blow to the package, however, was dealt by Indonesia and Thailand, whose governments decided not to provide money for the rescue plan.

With the collapse of the rescue plan, representatives of 25 ring-dealing members of the LME on 12 March 1986, exchanged some £150 million in cheques to clear or "ring-out" their outstanding tin contracts at an arbitrarily imposed settlement price of £6,250 per metric ton. Accompanying this action, the LME terminated trading in tin, after more than a century. The settlement price chosen was about midway between the price of tin when trading on the LME was suspended on 24 October (£8,140/ton) and the price to which the market might reasonably be expected to fall in a free market.

In the aftermath of the failed rescue plan and the LME imposed "ring-out", not only did the London spot price for tin collapse to well below £4,000 per metric ton, but also a number of law suits have been initiated, involving the LME, LME committee members, certain brokers, the International Tin Council, the European Commission and the U.K. Department of Trade and Industry. Indeed, the legal fall-out from the tin crisis is in its very early days. As early as April 1986, there had been two court judgements against the International Tin Council - judgements which the Council decided not to appeal.

The current situation for the Tin Council highlights one of the inherent weaknesses of international commodity agreements with binding economic provisions - the practical difficulty of assembling sufficient resources in both money and physical commodity to influence market price effectively, particularly during prolonged periods of high production or high consumption. For tin under the current Sixth Agreement there has been another weakness: the low proportion (about 60 percent, well down from the level in the Fifth Agreement, only partly due to the absence of Bolivia in the Sixth Agreement) of world production subject to the economic provisions of the commodity agreement. In essence, however, the excess world production came from two main sources: increased production from other non-members of the Sixth Tin Agreement (particularly Brazil and China) and from illegally mined tin from certain of the Tin Agreement's own member countries. Of even more vital importance, not only crucial in the case of the Sixth Agreement but also important for preceding agreements, was the political paralysis of the member countries; there was an utter inability to adjust the tin price range downward.

The tin crisis also led the Trade and Industry Committee of the British Parliament to conduct hearings to ascertain the nature, cause of and responsibility for the crisis. The Committee concluded that the London Metal Exchange could not have foreseen that the International Tin Council would renege on the debts incurred on its behalf by its Buffer Stock Manager. It concluded, however, that "attempts to manipulate the market by maintaining artificially high tin prices had three consequences which the Committee contends were entirely predictable - the stimulation of production by existing and new producers outside the cartel, the discouragement of consumption, and the increased use of substitute materials".[30]

In hindsight (and some would say in foresight) the Council may have been unwise to give its Buffer Stock Manager authority to deal in tin futures, thereby exacerbating its problem. Indeed, it could be considered that the Tin Council, in pursuing what would appear to have been a price support policy rather than a price stabilization policy (e.g. never lowering the floor price regardless of world economic conditions), had created its own crisis. It is the view of David Williamson, an informed observer of the tin market, that the seeds of the present crisis were sown by an apparent attempt from July 1981 to February 1982, on the part of Malaysian interests, to corner the world tin market. According to Williamson, "it raised the floor price so far in excess of where it should. It held the price at high levels for too long. It encouraged production and it discouraged consumption".[31]

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30. Mining Journal: "MPS Comment on Tin"; 4 April 1986, p. 237.
31. David Williamson, Shearson-Lehman Brothers, The Sunday Times, London, England, 3 November 1985, p. 67.

It now is very questionable whether there will be a Seventh Agreement and, indeed, whether the Tin Council will survive in its present form. Already consideration is being given, well in advance of expiration of the Sixth Agreement, to the calling of a preparatory conference (possibly in mid-1986) to consider the establishment of an intergovernmental consultative arrangement for tin, along the lines of the Study Group format.[32] This consideration arises, not only out of a recognition that a Seventh International Tin Agreement is neither desirable nor probably even possible, but also out of a recognition that a producer/consumer forum for consultation and the enhancement of market transparency is not only conceptually desirable and useful but may be essential in an international market situation for tin which may be chaotic in the years immediately ahead.

From the outset in 1956, Canada has adhered to all six Agreements as a consuming country member and has been an active and contributing member to the work of the Council. In a long-lasting period of excess production, however, despite export controls imposed on producing country members, it has recently been under some criticism for its development of a new tin mine in Nova Scotia. It is to avoid such a situation developing for itself that Brazil, an increasingly important producer of tin, has consistently refused to join successive international tin agreements. Indeed, this has been the Brazilian attitude to all intergovernmental mineral commodity arrangements. This is understandable for those commodity arrangements with binding economic provisions, but not for purely consultative arrangements which pose no threat to any country's development plans. On the contrary, intergovernmental mineral consultative arrangements provide international market and other information essential to the design of successful national mineral development policies for the mineral concerned.

Lead and Zinc

The only other existing intergovernmental mineral commodity arrangement comprising both producing and consuming countries is that governed by the International Lead and Zinc Study Group.[33] This autonomous, intergovernmental consultative organization currently composed of 32 member countries was formed in 1959.

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32. See the section on lead and zinc, following.
33. W. Keith Buck, "The International Lead and Zinc Study Group"; The International Lead and Zinc Study Group, London, England, brochure dated November 1983.

The group grew out of concern in the mid to late 1950s over a serious international market situation for lead and zinc: too much production, insufficient consumption, high stocks and low prices. This situation was made more difficult by the imposition of import quotas by the United States in October 1958, which placed effective limitations on a large and important world market for lead and zinc.[34] This situation led to a number of countries within the United Nations consulting one another on possible solutions to the serious market problem. These informal consultations culminated in late 1958 in the convening, by the Secretary-General of the United Nations at the request of the Interim Coordinating Committee for International Commodity Arrangements (ICCICA), of a United Nations Exploratory Meeting on Lead and Zinc, under the auspices of the United Nations Economic and Social Council. The Exploratory Meeting established a Lead and Zinc Committee to investigate, among other things, the establishment of a Study Group.[35]

As a result of decisions taken at the Exploratory Meeting and of the work of its Lead and Zinc Committee, a United Nations Conference on Lead and Zinc was convened in Geneva in November 1958. The Conference recommended "that the ICCICA, acting in accordance with the functions given to it by the Economic and Social Council of the United Nations, arrange for the convening of the first meeting of such a (intergovernmental study) group".[36] The Committee retained the Lead and Zinc Committee, pending the establishment of the study group. In consequence of the ICCICA recommendation, a further United Nations Conference on Lead and Zinc, known as the Inaugural Meeting for Lead and Zinc, was held in the United Nations Headquarters in New York in May 1959. The Conference was convened to "undertake the work necessary to establish an international study group on lead and zinc".[37]

The First Session of the group was held in Geneva in January 1960. The Group headquarters was located in the United Nations headquarters

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34. In 1958, the USA accounted for about 36 percent of world consumption for zinc and about 31 percent for lead.
35. UN Economic and Social Council, UN Exploratory Meeting on Lead and Zinc, Summary Proceedings, E/CONF.29/R.3,d/ 19 September 1958, p. 4.
36. UN Economic and Social Council, UN Conference on Lead and Zinc, 1958, Final Statement, E/CONF.31/R.8, d/12 November 1958, p. 2.
37. UN Economic and Social Council, UN Conference on Lead and Zinc/ Inaugural Meeting for the Lead and Zinc Study Group, Final Report E/CONF.31/AC.1/R.3 d/5 May 1959, p. 1.

in New York from its inception until 1 April 1977, when it was relocated to London, England.[38]

The Terms of Reference for the group contain two principal but simple objectives:[39]

- to provide a forum for consultation;
- to enhance market transparency.

In providing "opportunities for appropriate intergovernmental consultations on international trade in lead and/or zinc",[40] the group's work is directed towards improving market transparency for the two metals as an essential ingredient in the process of consultation. A vital factor in ensuring that consultations take place in the "real world" of lead and zinc is the provision for member country delegations to include senior industry advisers. There is further provision in the group's Terms of Reference for the consideration of "possible solutions to any special problems or difficulties which exist or may be expected to arise in lead and zinc and are unlikely to be resolved in the ordinary development of world trade". The group, in its reports to member governments may include suggestions and/or recommendations on possible solutions to such problems or difficulties as may exist.

The group meets in full session at least once a year, usually in the autumn and usually at the United Nations in Geneva, although there is a provision for meetings in member countries. At its annual sessions, in addition to receiving reports from its three committees (Standing, Economic, and Statistical) on their programs of work and on administrative

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38. The decision to relocate the group's headquarters was based on a number factors. First, the UN headquarters building in New York was becoming short of space and the group was not an integral part of the UN system. Second, London provided a logical alternative in that it contained the LME on which lead and zinc were traded; it was a focus for international commodity arrangement interest and expertise due to the presence in the city of the headquarters of UN intergovernmental commodity arrangements for tin, coffee, cocoa, sugar, wheat and rubber; it was an international financial, communications and mineral intelligence centre; and it was a reasonably central location for member governments of the group.
39. International Lead and Zinc Study Group (ILZSG), London: Brochure containing Terms of Reference, Rules of Procedure of the Group, Rules of Procedure of the Group's Standing Committee, and Headquarters Agreement with the United Kingdom government, p. 7; See also UN Economic and Social Council: UN Inauguaral Meeting for Lead and Zinc Study Group; E/CONF.31/1, d/6 May 1959; International Lead and Zinc Study Group, London, England: Document LZ/13, d/13 September 1960.
40. ILZSG Brochure, p. 7.

and financial matters, the group makes an exhaustive review of the current lead and zinc market situation, including a short-term (one year ahead) forecast of the developing situation. In this, it is assisted by a detailed report from its Statistical Committee and by national statements from member countries. The market forecast is subsequently brought up to date at the regular spring meeting of the group's Standing Committee.[41]

In the attainment of the group's two principal objectives, an important contribution is made by the special studies carried out by the six sub-committees of its Economic and Statistical Committee. Of particular importance is an annual survey, looking five to eight years ahead, of new mine and smelter refinery investment projects or expansions (and also closures) planned throughout the world for lead and zinc. An essential part of the group's fulfilment of its dual objectives has been the publication, since its inception, of a monthly statistical bulletin providing up-to-date, timely, and good quality information on lead and zinc production, consumption, stocks, trade, prices, and uses, secondary metal recovery, and world supply and demand.[42]

In evidence of the effectiveness of the group's consultative and market transparency activities, the clear exposure of the seriousness of the world lead and zinc market situation (production well in excess of consumption, with consequent high stocks and low prices) at the May 1959 inaugural meeting led to independent voluntary restrictions on lead and zinc production by a number of producing companies in 1959. This, together with increased world consumption, brought supply into balance with demand by the year end.[43] Again, in July 1978, during a difficult market period for zinc - with too much production, too little consumption and consequent high stocks and low prices - an Extraordinary Session of the Group was held in Vienna. There were sharp differences of opinion on the geographical nature of the problem with some member countries, particularly those of western Europe, contending that there was a world crisis for zinc and most other member countries contending that the problem was a regional one within western Europe, due to its zinc smelting and refining capacity being well in excess of western European needs. Finally, the Group reached a consensus, recommending to member countries that they exercise restraint in their production of zinc. Subsequently, zinc production and stocks fell, supply was brought into better balance with demand, and market prices rose.

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41. W. Keith Buck, "The International Lead and Zinc Study Group", p. 6.
42. Ibid., p. 7.
43. Ibid., p. 5.

During the first four years of its existence, an ad hoc sub-committee of the group worked on a draft of a full-fledged mineral commodity agreement for lead and zinc. When the draft agreement was presented for consideration in 1964, it did not receive the support of the group and, since then, the question of consummating a full-fledged commodity agreement for lead and zinc has never seriously been raised.

Unlike tin and copper, which play a critical role in the economies of certain countries in the developing world, the largest producers of lead and zinc are part of the developed world. Although the production of lead and zinc is important to some developing countries, it is by no means critical in so far as employment, GNP, foreign exchange earnings, etc. are concerned. There are, therefore, not the same pressures for international market stabilization measures for lead and zinc through an international commodity agreement as there are for tin and copper. Moreover, in the case of lead and zinc, there are important technical factors which militate against the formation of a full-fledged commodity agreement with binding economic provisions. Lead and zinc are produced largely in association with each other, or in association with other minerals such as copper and silver. Any restrictive action which might be conceived as necessary for either lead or zinc would have undesirable side effects on the other minerals produced in association with it. Moreover, scrap lead is an important element in world lead consumption, providing in the order of 50 percent of world consumption; hence, restrictive measures on primary lead supply could be rendered ineffective through the supply of scrap to the market.

Membership of the group is open to member countries of the United Nations or its specialized agencies, or of the GATT, "which consider themselves substantially interested in the production or consumption, of or trade in, lead and zinc". The current membership is representative of producing and consuming countries, exporting and importing countries, market and centrally-planned economies, and developed and developing countries. Country membership comprises 90 percent of world production and over 80 percent of world consumption of both lead and zinc.[44] In addition, three intergovernmental organizations and two nongovernmental organizations, all "substantially interested in lead and zinc problems", are officially accredited observers.[45] Annual sessions are attended by a delegate or delegates from each member country, supported by such industry and other advisers as each member country deems appropriate. At the annual sessions, attendance numbers in the order of 175-200, including delegates and advisers.

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44. ILZSG Brochure, p. 9.
45. W. Keith Buck, "The International Lead and Zinc Study Group", p. 6.

The group has continued in existence since its formation in 1959 because it provides an essential, regular, practical and business-like forum for consultation on and discussion of matters affecting the international trade in lead and zinc, matters which are of common concern to the governments and industries of producing and consuming countries. In so doing, it has satisfied - and seemingly continues to satisfy - its member countries and the lead and zinc industries of its member countries - all at a relatively small annual cost of membership.[46]

In principle, the existence of regular intergovernmental consultations involving the exchange of essential information relating to a particular commodity provide a useful basis for each member country and for the producing and consuming companies within each country to make their own individual assessments of the state of the world market. It better enables them to make realistic production and investment decisions for the mineral concerned. This, in itself, provides an element of stabilization in the international market, without the rigidities and distortions which a full-fledged international commodity agreement with binding economic provisions would introduce.

Copper

Among the six minerals included in the commodities covered by the IPC, copper has the distinction of holding the "stage" the longest.[47] As the first commodity to be discussed, it assumed a certain importance for nations with little or no direct interest in copper, because what was negotiated for copper might have an influence on what was later negotiated for other commodities in which they had an interest. The copper negotiations, therefore, were carried out in a highly politicized atmosphere.

Initial copper consultations under UNCTAD auspices were held in March of 1976 and confirmed the willingness of producers and consumers to enter into a dialogue and to take a modest step to create an interna-

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46. For example, the group's 1984 budget was approximately £220,000, of which about 60 percent was for salaries and related costs (for three professional staff and three support staff, one of which was part time). Member country contributions to the budget are based on an equal sharing of one half of the total budget and a sharing of the other half based on the country's share of world trade in lead and zinc, over a three year running period. For 1984, countries with a small share of total trade contributed in the order of £4,000, whereas the largest share contributed by a member country was in the order of £16,500.
47. Kabir-ur-Rahman Khan, "The Integrated Programme for Commodities", p. 170.

tional framework (i.e. a permanent copper consultative organization along the lines of the International Lead and Zinc Study Group) for continuing cooperation. However, UNCTAD IV in Nairobi in April 1976, from which emanated the Integrated Programme on Commodities (IPC), brought about a change in attitude. A strong move was made by developing countries in subsequent UNCTAD copper meetings to negotiate an international agreement featuring a buffer stock financed by a Common Fund, possibly supported by measures for supply management. It was considered that failure to reach an agreement for copper based on the framework as defined in the UNCTAD Integrated Programme for Commodities would be seen by the developing countries as a threat to the IPC and as a setback to progress towards a New International Economic Order (NIEO),[48] as adopted by the UN General Assembly in 1974.

Accordingly, the second meeting on copper held in September 1976, was designated as the First Preparatory Meeting on Copper within the IPC. Unlike the earlier meeting in March 1976, the September 1976 meeting revealed two divergent views. Some countries, including Canada, continued to advocate the creation of a permanent consultative body on copper.[49] Other countries, including most developing countries, favoured a full-fledged international commodity agreement with a buffer stock to be financed by the Common Fund, possibly supported by production and export controls. The First Preparatory Meeting created an Intergovernmental Expert Group on Copper to examine appropriate measures, determine financial requirements, examine the copper market and initiate the collection and analyses of data, consider interim measures, and make recommendations to a subsequent Preparatory Meeting on Copper to be held early in 1977.[50]

However, following that meeting and a number of meetings of the Intergovernmental Group of Experts on Copper, the Third Preparatory Meeting on Copper in early 1978 had returned to the consideration of the establishment of an autonomous intergovernmental producer-consumer consultative forum (Standing Inter-governmental Copper Body) as part of a two-stage process, under which the second stage would be a decision

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48. The roots of the NIEO lie in the Charter of the United Nations. As enunciated by the UN General Assembly in 1974, its objectives (all designed to make the economic and social well being of developing countries, through negotiations in various international fora, more equitable with that of developed countries) relate to aid and international assistance, international trade, international financial issues and industrialization, including the transfer of technology.
49. UNCTAD, "Contribution from Canada", TD/B/IPC/COPPER/AC/L.19, d/23 March 1977.
50. UNCTAD, Report of the (Third) Preparatory Meeting on Copper, TD/B/IPC/COPPER/1, d/8 October 1976.

whether or not to proceed to negotiations for a full-fledged international commodity agreement.[51] But this was not to be. By the Fourth Preparatory Meeting on Copper in July 1978, Peru recognized that the creation of an autonomous producer-consumer forum on copper could "de-politicize" the copper issue, thereby greatly reducing the possibility of obtaining a commitment to negotiations. Peru therefore weakened support within the Group of 77 for this thrust, and succeeded in having the producer-consumer consultative forum proposal set aside.

The fruitless dialogue continued into the 1980s, through more UNCTAD preparatory meetings on copper including a second and new Intergovernmental Group of Experts on Copper. Indeed, in the seven-year period from 1976 to 1982 inclusive, a total of 19 international meetings on copper, with an average duration of one week, were held under UNCTAD auspices.

Aside from political considerations, there are a number of technical considerations which militate against an intergovernmental commodity agreement for copper. There is extensive co-production with other non-ferrous metals (e.g. with zinc, nickel, lead, and molybdenum), so that production or export control action on copper would have serious implications for the co- or by-product minerals. With scrap copper forming such an important part (in the order of 30 percent) of annual copper consumption, production or export controls could be rendered meaningless. There are widespread long-term contractual sales commitments. Further, the prominent position of the private sector in the operation of mines and the marketing of products, albeit lessened through wide-spread state ownership and control, militates against effective artificial controls over the international marketing of copper.

The 1980-82 world recession with its particularly catastrophic results for the world copper industry, brought forth a new initiative for an autonomous producer-consumer consultative forum for copper. The new initiative, which came from Canadian industry in 1983-84, was for an autonomous intergovernmental consultative mineral commodity arrangement for copper along the lines of the International Lead and Zinc Study Group, and outside UNCTAD and the Integrated Programme for Commodities. It arose out of long industry experience with the lead and zinc group, and a conviction based on this experience that the group, through the consultative process aimed at enhanced market transparency, made a useful contribution to an understanding of international market circumstances for lead and zinc and had a positive influence on market stability for these two metals. The exceedingly difficult international market con-

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51. UNCTAD, Report of the Third Preparatory Meeting on Copper, TD/B/IPC/COPPER/8, d/27 February 1978.

ditions for copper, arising out of the 1980-82 world recession, and investment decisions taken in the 1970s when the market price was high, lent impetus and urgency to the initiative. In consequence, private, low-key consultations have taken place among corporations in a number of copper producing and consuming countries and between industry and the Canadian government.

This new initiative may develop complications. It is understood that UNCTAD, possibly from a belated realization that its efforts to form an intergovernmental commodity agreement for copper as well as for other minerals are unlikely to bear fruit, is now considering holding an international meeting to discuss the formation of an intergovernmental consultative organization for copper, under UNCTAD. There may even be a desire to forestall the recent industry initiative for an autonomous body outside UNCTAD.

Significantly, however, the new initiative has been supported by important components of the United States copper industry, including both producers and consumers. This support led the United States copper industry to request the U.S. government administration to join with other copper producing and consuming countries in establishing an intergovernmental consultative forum for copper. The United States government, in acting on this recommendation, held an informal meeting in July 1986 with a number of the world's major copper producing countries with a view to a further meeting in December 1986 directed towards the formation of an intergovernmental consultative group for copper, similar in form and function to the International Lead and Zinc Study Group. Although it is difficult to forecast the final outcome of this recent initiative on copper, the fact that it carries the support of United States government and industry is certainly a positive force for the achievement of success.

Iron Ore

Both before and after the 1976 establishment of the Integrated Programme for Commodities (IPC), there have been a number of meetings under UNCTAD auspices on iron ore, commencing with the Ad Hoc Meeting on Iron Ore in January 1970, followed by a second meeting in February 1972 - both with terms of reference different from those of the first of the post-IPC group of meetings. The First Preparatory Meeting on Iron Ore was held in October 1977,[52] with terms of reference in accordance with

52. UNCTAD, "Consideration of International Measures on Iron Ore", TB/B/IPC/Iron Ore/3, 9 August 1977, p. 1, para. 5 and annex.

UNCTAD Conference Resolution 93(IV) on the Integrated Programme for Commodities.[53]

The principal action arising out of the First Preparatory Meeting was the establishment of an Ad Hoc Intergovernmental Group of Experts to study, analyze and examine the problems of the iron ore industry and to "consider appropriate measures and techniques which may be required to solve the identified problems and to achieve the objectives of Resolution 93(IV) in relation to iron ore and report to a Second Preparatory Meeting on Iron Ore".[54]

In considering the report of the Ad Hoc Intergovernmental Group of Experts on Iron Ore, the Second Preparatory Meeting, held in December 1978, "agreed on the desirability of establishing an annual statistical programme on iron ore" and "the preparation of an outline of a study of the problems of the iron ore industry and market from a longer-term perspective, for consideration by a third preparatory meeting".[55] But over five years were to elapse before the Third Preparatory Meeting in April 1984. In the interim, UNCTAD received and distributed a joint contribution, in the form of a draft framework for a study of the iron ore industry and market from a longer-term perspective, from the governments of the nine member countries of the Association of Iron Ore Exporting Countries (or Association des Pays Exportateur Mineral de Fer - APEF). It was UNCTAD's view that the APEF document constituted an appropriate alternative to the intended UNCTAD outline of such a study.[56]

The Third Preparatory Meeting revealed the existence of the usual split between most producing countries (which felt that the various studies prepared for the UNCTAD meetings had sufficiently delineated the problems of the industry to induce appropriate measures and techniques for intergovernmental consideration) and consuming countries, including some important producing countries (which considered intergovernmental action unnecessary).

In recognition of the realities of the world iron ore market situation, and the improbability of concluding any form of intergovernmental commodity agreement with economic provisions for iron ore, a Fourth Preparatory Meeting on Iron Ore was held in October 1985, to consider alternative forms of cooperation and dialogue between exporting and importing coun-

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53. UNCTAD, 4th Session, Final Act and Report, 30 May 1976.
54. UNCTAD, Report of the Preparatory Meeting on Iron Ore on Its First Session, TD/B/IPC/Iron Ore/4, 21 November 1977, p. 3, paras (a) - (q).
55. UNCTAD, "Steps Taken in Pursuance of the Conclusions of the Second Preparatory Meeting on Iron Ore", TB/B/IPC/Iron Ore/ 14, 16 March 1983.
56. Ibid., p. 3.

tries. The reference paper for this meeting offered four possible areas of cooperation: improved market transparency, research and analytical studies, consultation, and participation of industry advisers.[57] It outlined the following institutional options for achieving cooperation in the aforementioned areas:

(a) ad hoc or regular meetings on iron ore within UNCTAD;
(b) Standing Consultative Body as part of the machinery of UNCTAD (e.g. Committee on Tungsten);
(c) Autonomous Consultative Body External to UNCTAD (e.g. International Lead and Zinc Study Group.

The disadvantages of option (a) were listed as:
- irregularity of meetings;
- uncertain expectations on the part of governments concerning the focus of meetings and a resultant rather feeble dialogue;
- meeting arrangements would be perceived as reflecting a low priority by governments and thus would fail to attract the necessary support, particularly from industry.

The advantages of option (b), the Standing Consultative Body within UNCTAD, were given as:
- the cost of servicing (the main advantage) would be absorbed in the existing financial resources allocated to UNCTAD, so that governments would not be called on to provide additional finance;
- the body would be able to draw on the statistical and other commodity work of an established institution dealing with trade and development issues and having special responsibility in the field of commodities;
- governments could review the future of the body after an agreed period with a view to extending its life, allowing it to lapse, or setting up an autonomous body to replace it.

The disadvantages of option (b) were described as:
- the resources within UNCTAD's regular budget are limited;
- a feeling in some quarters that it would be a disadvantage to have services provided by a Secretariat with broad responsibilities, including a wide product coverage and a mandate to develop initiatives on international commodity policy; in part, it was felt in some quarters that a body located in UNCTAD might result in less than the

57. UNCTAD, "Consideration of International Measures on Iron Ore: Alternative Forms of Cooperation and Dialogue Between Exporting and Importing Countries", TD/B/IPC/Iron Ore/19, d/19 May 1985.

whole-hearted support of industry which many governments feel is essential for the effective working of a body such as one on iron ore;
- an UNCTAD body could attract participation from countries with no major interest in iron ore and, hence, lead to the injection of issues for discussion which are not appropriate to iron ore.

For option (c), Autonomous Consultative Body outside UNCTAD, the advantages were enumerated as follows:
- complete independence in decision making;
- freedom from any potential conflicts arising from decisions of governments within another organization;
- a higher standing and status, in that the body would be autonomous and the Secretariat headed by a Secretary-General;
- a perception that the degree of support and cooperation from industry would be greater and more readily forthcoming than if the body were institutionalized in the UN system.

The disadvantages of option (c) were given as:
- greater financial costs, especially in view of the fact that a small number of countries involved in iron ore already belong to an autonomous producer-only organization for iron ore (Association of Iron Ore Producing Countries);
- reluctance of some countries to create new commodity bodies which have financial implications for governments.

At the October 1985 Meeting, the proposal to form a consultative group for iron ore either within or outside UNCTAD was opposed by the United States and not received very well by the iron ore industry. There was a feeling that, unlike nonferrous metals, iron ore already has a high degree of market transparency. Although not all iron ore producing countries were convinced of the need for formal, regular meetings, a large majority expressed a preference for ad hoc consultations on iron ore within UNCTAD. It was decided to recommend to UNCTAD's Trade and Development Board that it convene an Intergovernmental Group of Experts on Iron Ore, to meet in two sessions, the first in 1986 and the second in 1987, to review iron ore market developments and to report to a Fifth Preparatory Meeting.

At the Fourth Preparatory Meeting, producing countries identified four topics worthy of detailed examination:

- current developments in the iron and steel industry, including the outlook for changes in capacity, rate of utilization and geographic diversification;

- current market situation and outlet, including implications for iron ore supply and demand;
- review of statistics on production, consumption, and trade, including comparability of data;
- technological developments and their implications for the consumption of iron ore.

The international iron ore industry is characterized by:

- the widespread occurrence, abundance and production of iron ore in both developing and developed countries;
- wide variations in the grade and quality of the material produced and exported;
- an important incidence of tied markets in which the consuming steel company has financial interests in the producing iron ore mine;
- the large number of exporters vying for customers;
- the prevalence of long-term contracts;
- the industry's dependence upon the economic health of its sole consumer - the world steel industry.

All these characteristics militate against internationally effective and cohesive market restraints such as would prevail under an international commodity agreement with binding economic provisions.

Bauxite

UNCTAD's first (and, to date, only) Preparatory Meeting on Bauxite under its Integrated Programme on Commodities was not held until November 1982, although UNCTAD's Ad Hoc Intergovernmental Committee, charged with coordinating the work of preparatory meetings, had tenatively scheduled preparatory meetings on a number of occasions in the early years of the IPC without supporting requests from bauxite producing or consuming countries.[58] The 1982 meeting was called at the request of the International Bauxite Association which had not previously been able to agree on a strategy to pursue. There was a low level of producer country attendance, representation and intervention, and consuming countries maintained a low profile. In this atmosphere, no substantive proposals were put before the meeting by the producing countries. The meeting concluded with an agreement to meet at some future

58. Kabir-ur-Rahman Kahn, "The Integrated Programme for Commodities", p. 175.

date (yet to be determined) to consider any new contributions which might be submitted on "problems of the bauxite sector", which might be susceptible to intergovernmental action.[59]

It is noteworthy that the world marketing structure for bauxite is closely related to that for alumina and aluminum, and is characterized by a high degree of concentration in a few large commercial enterprises and by an associated high degree of vertical integration. Market transactions consist largely of long-term contracts or intracorporate transfers. A feature of the world industry is the important role played by the developed world, specifically Australia, in the production of bauxite. For these reasons, particularly the intertwined relationship between bauxite, alumina and aluminum production and marketing, bauxite does not lend itself to an international commodity agreement with such economic provisions as price range, buffer stock and export controls. The market structure of bauxite falls "outside the normal competence of an international commodity agreement, which takes the market as it finds it rather than attempting to restructure it".[60]

Manganese

The first consultations on manganese under UNCTAD auspices took place in February 1972. These were followed by Intensive Ad Hoc Intergovernmental Consultations on Manganese Ore in April 1974, and in October of the same year by a meeting of an UNCTAD Informal Group on Manganese Ore. The terms of reference of these pre-IPC meetings were different from those of later meetings held in response to UNCTAD Resolution 93(IV) on the Integrated Programme for Commodities.[61] Principally to satisfy African producers, manganese had been included as a late addition to the 1975 Integrated Programme on Commodities.

Since then, two Preparatory Meetings on Manganese have been held, in June 1977 and October 1980. Additionally, an UNCTAD-sponsored seminar on manganese was held in Libreville, Gabon, in September 1978. The Second Preparatory Meeting recommended the establishment of an Intergovernmental Group of Experts on Manganese, which held one meeting in December 1982. During all these meetings, there was no agreement between producing and consuming countries on identification of problems

59. UNCTAD, Report of the Preparatory Meeting on Bauxite, TB/B/IPC/Bauxite/5, 19 November 1982, Annex I.
60. Kabir-ur-Rahman Kahn, "The Integrated Programme for Commodities", p. 175.
61. UNCTAD, "Consideration of International Measures on Manganese", TD/B/IPC/Manganese/3, 16 May 1977, Annex, p. 1, 2.

of the manganese industry that are amenable to intergovernmental action. Consuming countries did, however, suggest further work on a producer/consumer forum for manganese with a view to improving market transparency.

With the bulk of the known world reserves of manganese ore essentially divided between South Africa and the USSR, the likelihood of there being a full-fledged intergovernmental commodity agreement with binding economic provisions for manganese is remote. Even if other producing countries were to create and adhere to the provisions of such an agreement, it is almost certain that neither South Africa nor the Soviet Union would be a party to it; without their support, any agreement would be meaningless.

Phosphate Rock

Prior to the establishment of the Integrated Programme on Commodities, UNCTAD sponsored three meetings on phosphate rock: the first, Consultations on Phosphates in January 1972; the second, Intensive Ad Hoc Intergovernmental Consultations on Phosphates in May 1974; there was also an Informal Group on Phosphates in December 1974. Under the Integrated Programme on Commodities, UNCTAD's First Preparatory Meeting on Phosphate Rock was held in late 1977 to review possible international measures aimed at stabilizing market trade and excessive price fluctuations. The Second Preparatory Meeting was held in June 1978, at the level of governmental experts, to analyze the global phosphate market, to initiate the collection and analysis of relevant statistical data, and to consider recommendations for attaining the objectives of the Integrated Programme on Commodities with respect to phosphates. The Second Meeting lasted only one day and, after informal consultations, it was agreed that, "in view of the fact that governments of a number of countries collectively accounting for a significant proportion of international trade in phosphates were not represented at the meeting, no useful purpose would be served" by undertaking further examination and analysis of the phosphate market.[62] No further meeting has been held.

62. UNCTAD, Report on Second Preparatory Meeting on Phosphates, TB/B/IPC/Phosphates/7, 28 June 1978.

Tungsten

Tungsten was not included among the 18 commodities forming UNCTAD's Integrated Programme on Commodities. Prior to the formation of UNCTAD, however, the question of remedial action for tungsten had been considered by a United Nations Exploratory Meeting on Tungsten in January 1963, and within the framework of an Ad Hoc Tungsten Committee, whose first meeting was held in June 1963. The creation of UNCTAD in 1965, and the conversion of the Ad Hoc Committee into a permanent standing body of UNCTAD as the Committee on Tungsten, led to a long, still continuing, series of international meetings and discussions on tungsten.

The terms of reference of the committee have provided opportunities for international consultations concerning trade in tungsten, promotion of improvements in statistics on tungsten, and a study of developments in the tungsten market. The committee, currently with 30 member countries, meets annually in the last quarter of the year. To December 1984, there have been 16 sessions of the Committee on Tungsten; ten meetings of its Working Group; two of its Statistical Working Party; one Intensive Ad Hoc Intergovernmental Consultation on Tungsten; three meetings of an Ad Hoc Intergovernmental Group of Experts; and two meetings of a Preparatory Working Group, for a total of 34 meetings.

At the Sixteenth Session of the Committee on Tungsten, in December 1984, a new Sessional Working Group was set up, with a very different mandate. It was established along the lines of a producer/consumer intergovernmental consultative forum, with provision for industry advisers, charged with improving market transparency.

The idea for a producer-consumer intergovernmental consultative forum for tungsten is by no means new. In July 1977, a group of major developed countries had submitted a formal proposal for a consultative producer/consumer body on tungsten, following the establishment of the Ad Hoc Intergovernmental Group of Experts on Tungsten in April 1977.[63] However, an impasse was reached, with most producers committed to Australia's 1977 producer proposal for a commodity agreement, complete with binding economic provisions, and most consumers resisting any form of institution for tungsten that would go beyond a producer/con-

63. UNCTAD, Report of the Ad Hoc Intergovernmental Group of Experts on Tungsten on its First Session, Annex I: "Proposal Submitted by the Federal Republic of Germany, Japan, Sweden, the United Kingdom and the United States of America for a consultative producer/consumer body on tungsten in accordance with the decision adopted by the Trade and Development Board, on 29 April 1977, establishing the terms of reference for the Ad Hoc Intergovernmental Group of Experts on Tungsten", TB/B/C.1/Tungsten/AC.1/2, 5 September 1977, Annex I.

sumer study group. The resultant dissatisfaction with the lack of progress in the Ad Hoc Intergovernmental Group of Experts and the Committee on Tungsten led to the establishment of the Preparatory Working Group on Tungsten in April 1978, by the Trade and Development Board. The group held meetings in June 1978, and September 1979.

The new Sessional Working Group, established by the Sixteenth Session, met during the Seventeenth Session of the Committee in November 1985. The new and different mandate might have presaged either a willingness, or simply a tactical manoeuvre on the part of UNCTAD, to consider the formation of producer/consumer mineral fora under its auspices, for tungsten and other minerals, in view of the complete lack of progress in forming full-fledged commodity agreements with economic provisions. For the Seventeenth Session, however, the UNCTAD Secretariat provided, at the request of Bolivia, relevant background documentation on the stabilization of the tungsten market, commencing with the 1977 Australian proposal for a full-fledged commodity agreement as the base for the documentation. As it transpired, the Seventeenth Session of the Committee ended in the usual impasse on this subject, with producing countries supporting mandatory stabilization measures and consuming countries opposed. The matter of stabilization of the tungsten market will, as has almost become customary, be included as an agenda item for the next meeting of the Committee on Tungsten.

Indeed, the UNCTAD Secretariat envisions a procedure wherein the new Sessional Working Group will meet for the first two days of a Sessional Meeting of the Committee on Tungsten, following which it will present its report to the Committee on the third day. The last two days of Committee meetings will be devoted to other business, which would centre mainly on a discussion of market stabilization measures. It would appear, therefore, that, in the eyes of the UNCTAD Secretariat and some developing tungsten producing countries, stabilization issues are the heart of future deliberations within the Committee on Tungsten.

However, the new Sessional Working Group also has the potential of providing some of the market transparency features of an intergovernmental producer/consumer consultative forum. Its terms of reference relate specifically to a periodic review of the world market situation for tungsten, and it includes the essential provisions for participation of industry advisers in the market review. With the following preamble inserted on the initiation of Canada, its terms of reference are:

> In order to enable the participating industry advisers to play a more effective role in meetings of the Committee and to assist it in performing the tasks, the terms of reference of the Sessional Working Group will be as follows:

(1) To provide a forum for an open exchange of views and dialogue on the current market situation and outlook for tungsten;

(2) To review, examine and provide information on trends and developments in the market in respect of production, consumption, trade, stocks and other key factors, such structural and technological change, both short-term and long-term, influencing these trends and developments;

(3) To examine the statistics on tungsten provided by the Secretariat and, through its deliberations, amplify and improve the statistics available to the Group;

(4) To prepare an assessment analyzing all factors relevant to the market, including as much statistical detail as possible, of the current situation and outlook for the international tungsten market;

(5) To submit its report to the Committee on Tungsten for consideration.[64]

Between 1963 and 1973, the work of the Committee on Tungsten (and its predecessor Ad Hoc Committee) consisted essentially of reviewing tungsten statistics, issuing a comprehensive bibliography, and initiating an examination of market trends. From 1973 to 1980, the focus of attention was on the issue of the stabilization of the market for tungsten. Since 1980 the committee has once again given prominence to the analysis and assessment of the market situation and its outlook, and to special studies of factors influencing the market, but apparently has not excluded market stabilization as a key issue.

Tungsten differs from a number of other mineral commodities in the variety of forms in which it is traded and from the absence of a standard product. Hence, the maintenance of either an international buffer stock or of national stocks would be much more complex than for other mineral commodities. Moreover, tungsten-containing materials are not traded on any commodity exchange. There is also considered to be a need for an acceptable price indicator, in case the need should arise for adjustment of stocks or quotas on exports or imports in relation to price movements. For all these reasons, tungsten does not lend itself to arrangements which

64. UNCTAD, Report of the Committee on Tungsten on its Sixteenth Session, TD/B/C1/TUNGSTEN/55, 2 February 1985.

contain binding economic provisions such as price ranges, buffer stocks and export control provisions.

Nickel

Like tungsten, nickel is not one of the commodities covered by the Integrated Program for Commodities. Commencing in April 1979, six countries (Australia, Canada, France, Federal Republic of Germany, Japan, the United States), following a joint Australian/Canadian initiative, conducted studies and met a number of times (the United Kingdom participated in the first meeting) to evaluate the need for and feasibility of improving international statistics on nickel through an intergovernmental organization involving both producers and consumers and outside of UNCTAD, along the lines of the International Lead and Zinc Study Group. These informal low-key meetings, followed by consultations (in capitals) with other possible interested countries, culminated in an Intergovernmental Exploratory Meeting on Nickel, hosted by Australia and Canada, in Geneva in October 1984. The meeting was attended by 31 countries, representing over 95 percent of world nickel production and over 90 percent of world nickel consumption. Observers attended from the EEC, the GATT, UNCTAD and the International Lead and Zinc Study Group.

The purpose of the October 1984 meeting was "to explore the possibility of establishing an intergovernmental nickel discussion group to improve the statistics and other information on world nickel production, consumption and trade with a view to achieving greater transparency in the international nickel economy, and to provide a forum for consultation".[65] Given the very favourable attitudes evident at the meeting towards developing cooperation, it was concluded that serious consideration should be given to the early convening of a second meeting; to this end, UNCTAD was requested to convene such a meeting in the spring of 1985.

A Preparatory Meeting on Nickel, hosted by UNCTAD, was held in Geneva in April 1985, "to consider further the proposal to establish an intergovernmental nickel discussion group and, in particular, to consider an international statistical system for nickel, secretariat arrangements, a draft agreement for the establishment of such a group and draft rules of procedure".[66] The Preparatory Meeting decided to request UNCTAD to convene a negotiating conference on the establishment of an autonomous

65. Intergovernmental Meeting on Nickel, "Chairman's Report", Geneva, 24 October 1984, p. 1.
66. UNCTAD, Report of the Preparatory Meeting on Nickel, TD/B/1051; and TD/Nickel/PM/8, both dated 15 May 1985.

International Nickel Study Group in Geneva in October 1985, immediately following the annual session of the International Lead and Zinc Study Group. Having reached a considerable degree of consensus within the Preparatory Meeting on the draft terms of reference and rules of procedure, it was left to the negotiating conference to consider the form of secretariat; the nature of the statistics and system for data collection, analysis and dissemination; and the matter of convening an inaugural meeting of the group.

In response to this request, a United Nations Conference on Nickel was held in Geneva in late October/early November 1985, in recognition that "the establishment of an International Nickel Study Group would ensure enhanced international cooperation on issues concerning nickel, in particular by improving the information available on the international nickel economy and by providing a forum for intergovernmental consultations on nickel".[67] The conference reconvened in late April/early May 1986, to: finalize one item of the terms of reference; complete two items of the rules of procedure, specifically the form of the secretariat and the formula for budgetary contributions; consider a work program on statistics; and confirm arrangements including the preparation of an agenda and select the date for an inaugural meeting of the group.[68]

At the April/May 1986 meeting, the terms of reference were adopted and a work program on statistics was established, but the form of the secretariat and the formula for budgetary contributions were not finalized. It is planned to hold another meeting in Geneva during October 20-23, 1986, immediately following the annual session of the International Lead and Zinc Study Group, to settle the outstanding administrative items; if fifteen or more interested countries accounting for fifty percent or more of world trade in nickel indicate their agreement by September 20, the October 20-23 meeting will be in the form of an inaugural session of the new group.

Following active participation since April 1979 in discussions pertaining to the formation of an intergovernmental Nickel Study Group, including participation in the Intergovernmental Exploratory Meeting on Nickel held in October 1984, the United States withdrew from all further discussions and negotiations, in accordance with its general policy of not accepting membership in any new intergovernmental commodity arrangement. It did, however, attend the April 1985 Preparatory Meeting on Nickel as an observer and it made known to the meeting that, as the publisher of the most complete and timely nickel data of any country, it would cooperate with the group, should it be established, by making

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67. UNCTAD, "Resolution Adopted by the United Nations Conference on Nickel, 1985", TD/Nickel/6, d/13 November 1985.
68. Ibid.

available statistics collected by its Bureau of Mines; it also attended the October/November 1985 and the April/May 1986 meetings as an observer.

In the present difficult international market situation for nickel, the existence of an autonomous, broadly-based intergovernmental consultative forum for nickel, along the lines of the International Lead and Zinc Study Group, will undoubtedly make a useful and positive contribution to intergovernmental consultation and the advancement of market transparency for nickel, with both processes enhanced by the presence of senior industry representatives.

4. COMMON FUND

One cannot conclude a discussion of the six commodities which formed the minerals component of the Integrated Programme for Commodities (IPC), without consideration of the efforts to establish a Common Fund. The first elaboration of a Common Fund for Commodities (CF) was by the UNCTAD Secretariat in late 1974, at the request of UNCTAD's Trade and Development Board. The concept received considerable attention over the next year and a half and, by UNCTAD IV held in Nairobi in May 1976, it became a companion piece of the developing country proposal for the Integrated Programme for Commodities. UNCTAD IV resulted in the important Resolution 93(IV) on the IPC which called for, among other things, preparatory meetings on a Common Fund and a negotiating conference on the Fund no later than March 1977. The concept of the fund was given political blessing at the Conference on International Economic Cooperation (CIEC) in June 1977, when northern country representatives agreed there should be a Common Fund, and at the Downing Street Summit and the Commonwealth Heads of Government meeting later in 1977 and during the Manley Summit in 1978.

The envisioned purpose of the Common Fund[69] was to provide financing for:

- buffer stocks established by international commodity agreements;
- internationally coordinated national stocks implemented through commodity agreements;
- other uses including diversification, productivity improvement, market promotion, research and development, and transport, marketing and distribution, all undertaken within the framework of commodity agreements.

Put even more simply, this new international financial institution - the Common Fund - was planned to finance:

- stocking provisions within individual international commodity agreements designed to enhance commodity price stability (known as the first "window");

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69. UNCTAD, A Common Fund for the Financing of Commodity Stocks: Amounts, Terms and Prospective Sources of Finance, TD/B/C.1/184 (incl. Add 1), 24 June 1974; and UNCTAD, A Common Fund for the Financing of Commodity Stocks: Suitability for Stocking of Individual Commodities, Country Contributions and Burden Sharing, and Some Operating Principles, TB/B/C.1/196 (incl. Add 1), 6 October 1975.

- commodity related development measures (known as the second "window").

In order to economize on the financial resources required to fund International Commodity Agreements (ICAs), it was proposed that they be jointly financed. At any particular point of time, some ICAs would be in financial surplus due to high commodity prices, while others would be in deficit; by pooling the finances of the various ICAs, the CF would allow for a reduction in the total finances required.

The original CF proposal put forward in 1976 with the support of the developing countries envisaged a fund of at least some $U.S. 6 billion, of which $U.S. 2 billion would be government contributions, and $U.S. 4 billion would be loans from the capital market. A fund of this size, it was argued, would act as a catalyst for the formation of new ICAs, providing financing for buffer stocks. The developed countries, however, believing that the main purpose of the Common Fund should be as a financing vehicle for existing ICAs, had opposed the creation of a large Common Fund independent of ICA contributions.

Following three preparatory meetings, Common Fund negotiations formally commenced in March 1977. After difficult negotiations and a considerable downsizing of the amount of money to be devoted to financing the first "window", agreement on the fundamental elements of the Common Fund (both first and second "windows") took place in March 1979. In June 1980, final agreement was reached on the fund, with the text open for signature on 1 October 1980. For the Common Fund to enter into force, it must be ratified, accepted, or approved by a minimum of 90 countries, accounting for at least two-thirds of the fund's directly contributed capital and at least 50 percent of the voluntarily contributed capital for the second "window".

Permanent financing of the fund calls for $U.S. 470 million from governments in the form of $U.S. 220 million in direct cash contributions, $U.S. 150 million in promissory notes and $U.S. 100 million in callable capital, and at least 50 percent of the voluntarily contributed capital for the second "window". Out of the $470 million subscribed capital, $400 million would be allocated to the first "window", and $70 million in cash to the second "window". The second "window" also calls for financing by voluntary contributions with a funding target of $280 million. Provision is also made for a "variable" element in financing the fund in the form of callable guarantee capital from member country participants in international commodity agreements associated with the fund.

The ICAs would be expected to deposit with the CF one-third of their maximum financial requirements and would be entitled to borrow the remaining two-thirds against pledges of callable capital by participants in

the ICAs. This provision arose out of the insistence of developed countries that the majority of the financing of the CF come from ICA contributions.

The initial deadline for the fulfillment of the required conditions for the fund's entry into force was 31 March 1982. By that date ratifications were well short of the requisite number. Accordingly, pursuant to Article 57, paragraph 1 of the Agreement, those countries which had ratified the Agreement by 31 March 1982 extended the deadline to 30 September 1983. This deadline passed with only 64 states, accounting for 41.466 percent of the fund's capital, having ratified the Agreement. In the absence, therefore, of early entry into force, it was not possible for the fund to begin operations by 1 January 1984, in accordance with the wishes expressed in paragraph 4 of Conference Resolutions 153(VI).

By 17 January 1986, although ratifications had reached the required number of 90, financial commitments at 57.9 percent of the Common Fund's directly contributed capital were still short of the mandatory amount by 8.8 percent.[70] To meet the financial requirement, either the United States (with an allocation of 15.7 percent), or all members of Group B countries (with allocations totalling 10.2 percent), or the USSR (with an allocation of 6.2 percent) plus some African countries which have signed but not yet ratified the treaty, must make the necessary financial commitments. Voluntary contributions have been pledged by the ratifying countries in the amount of $U.S. 255 million, or 91 percent of the required voluntary contributions for the second "window". These funds cannot be used until the fund is actually established.

In addition to the inherent difficulty of reaching agreement on the size of the Common Fund, another difficult problem arising in the long series of negotiations on the fund was that of the distribution of voting rights. Its origins were to be found in the position taken by the Group of 77 from an early stage, that "the distribution of voting rights . . . should be related to factors other than the size of capital subscriptions alone and should ensure a decisive role for the developing countries in the management of the Fund".[71]

The imperative of unity demonstrated by the Group of 77 had a profound impact on its objectives and negotiating posture. Its massive initial demands, particularly as to the size of the fund and voting rights, were seemingly necessary to ensure unity. Moreover, with the UNCTAD staff acting as the de facto secretariat of the Group of 77, it has been held

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70. UNCTAD, Press Release, 17 January 1986.
71. UNCTAD, United Nations Negotiating Conference on a Common Fund for Commodities Under the Integrated Programme for Commodities, Second Session, TB/B/IPC/CF/CONF/14, Part I; 7 Nov.-1 Dec., 1977.

that the UNCTAD agenda was constructed largely to suit the wishes of the Group of 77.[72]

In an independent study prepared for UNCTAD by a team of international experts, supply instability rather than price instability was identified as the major reason for fluctuating export earnings from commodities. Accordingly, developing countries began pressing for a compensatory financing facility to help ensure regular production in the commodity sectors of individual countries. The facility was to be incorporated in the Common Fund, should it become operative.[73] In mid-1985, UNCTAD postponed until 1986 any decision on establishing a new financing facility to help developing countries cope with export earnings shortfall. Instead, it was agreed to ask a group of experts to study further the need for a new compensatory financing facility, which would complement those of the International Monetary Fund (Compensatory Financing Facility) and the European Economic Community (Lome Convention's STABEX system). Any further action, including a possible negotiating conference, was postponed until autumn 1986.[74]

In this connection, it is interesting that Caragata in his research and writings concluded that "compensatory financing is a better method than ICAs of stabilizing revenues for LDC mineral exporters. But compensatory financing is only a short-term solution to LDC problems. Neither ICAs nor compensatory financing for LDC mineral exports are of benefit to Canadian producers. When Canada supports compensatory financing, it does so as a clear demonstration of its support for the urgent needs of Third World countries".[75]

Unquestionably, the 1985/86 International Tin Council/London Metal Exchange crisis will have implications for the future of the Common Fund. The crisis has strengthened and/or developed a wariness about the effectiveness of buffer stock operations, not only in many developed countries but, undoubtedly, also in some developing countries. It greatly increases the unlikeliness of the essential requirements for the first "window" being met and, hence, the unlikelihood of the fund becoming operational. Indeed, it is not inconceivable that there might be withdrawals from among those countries which have already ratified the treaty but not yet met the funding requirements.

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72. Robert L. Rothstein, Global Bargaining; (Princeton, N.J.: Princeton University Press, 1979); and Stephan D. Cohen, "IPC and the Common Fund - the Political Dimension, Resources Policy, December 1980, p. 333.
73. Mining Journal, "UNCTAD Reappraisal", 14 June 1985, p. 421.
74. Mining Journal, "UNCTAD - No Decision", 21 June 1985, p. 447.
75. Patrick James Caragata, Natural Resources and International Bargaining Power: Canada's Mineral Policy Options, (Kingston: Centre for Resource Studies, 1983), p. 129.

This has implications for the second "window", since its operations are dependent on the coming into effect of the treaty itself. For the elements of the second "window" to be retained in an emasculated Common Fund, relative to the initial concepts for it, international renegotiations would be required. The reverberations of the current tin crisis will continue to echo well beyond the International Tin Council itself and tin dealings on the London Metal Exchange.

5. INTERGOVERNMENTAL PRODUCER ORGANIZATIONS

As mentioned earlier, the period following World War II saw the formation of a number of intergovernmental producers-only organizations. In part, their formation has arisen out of a realization by some developing countries of the improbability of the UNCTAD series of discussions leading to full-fledged intergovernmental commodity agreements with binding economic provisions. In a sense of frustration, they have taken action to form their own producer-only groups with a view to stabilizing the market for the commodities of particular concern to them. As mentioned earlier, however, all these producer groups have lacked the "clout" once held by OPEC, their "mother image" and, hence, have been largely ineffective as a force for stabilization.

Copper

The Conseil Intergouvernemental des Pays Exportateurs de Cuivre (CIPEC), headquartered in Paris, France, was established by major developing producing countries (Chile, Peru, Zaire and Zambia) in 1967. Its formation arose out of a recognition of the exceptional importance of copper to the economies of the organizing countries. It reflected the belief that excessive copper price fluctuations could be reduced, and that the price of copper could be maintained at an acceptable level by increased cooperation and concerted action by the copper exporting countries. This organizational concept was expressed in more emotive language in a subsequent press release from its Conference of Ministers: "so that Member Countries, by coordinating their policies concerning the copper industry, which is of such vital importance for their economies, might receive the revenues which are justly theirs" and "be able to attain full development, which would preclude the exploitation of man by man in international economic relations".[76] The CIPEC agreement was modified in 1975, in part to provide more acceptable conditions for more moderate potential members. Canada has attended a number of CIPEC meetings as an Observer.

CIPEC has not been successful in achieving its main objectives. There is a lack of political cohesion among its members, and their heavy dependence upon copper as a source of employment and export earnings has sapped any resolve to take collective corrective measures. In 1974,

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76. CIPEC, Press Release, Conference of Ministers, V Session, Lusaka, 24-26 June, 1974.

for example, although CIPEC members agreed for the first time to restrict copper production and exports, individual member countries did not abide by their commitments. Aside from CIPEC's own internal lack of political and economic cohesion, an obvious weakness in its ability to influence the world copper market is the large proportion of copper production capacity possessed by countries which are not members of the organization; another is the important role played by scrap in meeting copper consumption requirements.

Iron Ore

An Informal Group of Iron Ore Producers was formed in 1968, for the purpose of enhancing the interests of iron ore exporting countries through consultations and the exchange of information on production, demand, and trade in iron ore. The group was formed at a time when a number of major new suppliers were entering the export trade, leading to a secular decline in the real price of iron ore.

A move to restructure the Informal Group took place in 1974, led by three iron ore producing countries (Algeria, India and Venezuela), with a view to creating a formal cartel with the objective of raising world prices. However, objections to a price-fixing cartel from other iron ore producing countries of the Informal Group led to the formation of the Association of Iron Ore Exporting Countries (APEF) in October 1975. It is headquartered in Geneva, Switzerland, and open to membership from any country exporting or holding substantial reserves of iron ore and with similar interests to those of the member countries.

According to Article 5 of the APEF agreement, its objectives are:

- to promote close cooperation among member countries with a view to safeguarding their interests;
- to ensure an orderly and healthy growth of the export trade;
- to assist member countries to secure fair and remunerative returns from the exploitation, processing and marketing of iron ore with a view to improving their export earnings and terms of trade;
- to contribute to the economic and social development of the member countries and in particular, to encourage the further processing of iron ore in member countries, including into iron and steel;
- to provide a forum for the exchange of information and effective and meaningful consultations on problems relating to the iron ore export industry with a view to enabling member countries to take appropriate action.

Canada has attended meetings of the association as an observer.

An article of the APEF agreement explicitly states that all decisions by the organization must be taken by unanimous agreement among all members. This, in effect, provides a veto to any member if it considers that a proposal goes beyond the objectives of the association or if it threatens that member's national interests.

The association has evolved, in the opinion of its members, into a useful, pragmatic service to member governments. Its activities include regular discussions in APEF of developments in the world iron ore market, plus publication of statistical data on production, consumption and trade, and market development information. It has also adopted a consensus approach, and member countries have recognized the nature of the association as a forum for the exchange of information. A notable drawback to the effectiveness of the APEF, however, is the fact that industry advisers are not usually part of national delegations to its meetings.

Bauxite

The International Bauxite Association (IBA), headquartered in Kingston, Jamaica, was established in March 1974, to:

- promote the orderly and rational development of the bauxite industry;
- secure for member countries fair and reasonable returns from the exploitation, processing and marketing of bauxite and its products for the economic and social development of their peoples bearing in mind the recognized interest of consumers;
- generally safeguard the interests of member countries in relation to the bauxite industry.77

Although it was born in the heady days following the success of OPEC's 1973 embargo on crude oil exports, the association has served essentially as a forum for consultation among bauxite producing countries and as an information gathering body. Among the reasons for this are the clear recognition of the interests of consumers in its objectives, as outlined in Article IV (Obligations of Member Countries) of its enabling Agreement, i.e. "the consumers of these commodities (bauxite, alumina

77. The International Bauxite Association: Agreement Establishing the International Bauxite Association, 1974, Article III, Objectives. See also "The IBA is Not a Cartel"; Paper, International Bauxite Association, Kingston, Jamaica, 1982, p. 34.

and aluminum) are adequately supplied at reasonable prices";[78] the fact that bauxite is not a strategic commodity; and the moderating presence of Australia among its membership.

Since 1976, the IBA has recommended to member countries that they adopt specified minimum prices for their exported bauxite (initially based on base-grade bauxite). In 1979 the association commenced basing its recommended price on the price of primary aluminum ingot; in 1985, the Association returned to the earlier system of basing its recommended export price on metallurgical base-grade bauxite and it also recommended a minimum price for metallurgical grade alumina.[79]

The IBA, however, does not include consumer countries in its membership, and thereby lacks one of the prerequisites of an intergovernmental producer-consumer consultative forum. It also does not provide for regular input in its deliberations from industry advisers representing the world bauxite producing and consuming industry. Although the bauxite producing industry is largely centred in the developing world, an important part of world production emanates from the developed world, in particular from Australia. The market for bauxite is intimately intertwined with that of alumina and aluminum and there is a high degree of vertical integration within the bauxite/alumina/aluminum industry. Marketing arrangements consist largely of long-term sales contracts or intracompany transfers, much of which take place regionally, rather than globally. Because of the intimate relationship between bauxite, alumina and aluminum production and trade, the customary binding economic provisions of a full-fledged international commodity agreement (particularly stocking arrangements and supply management provisions) would be largely ineffective.

Tin

Out of a sense of unhappiness on the part of the Asean (Association of South East Asian Nations) producer country members of the working of the Sixth International Tin Agreement, the Association of Tin Producing Countries (ATPC) came into being in August 1983, as the most recently established international grouping of producer-only countries for a mineral commodity. Its aims are:

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78. IBA, Agreement Establishing the International Bauxite Association, Article IV(b)(ii) Obligations of Member Countries.
79. Ibid., p. 39; and Canute James, "Bauxite Group Finds its Role as a Data Bank, NOT a Cartel", Globe and Mail, 7 January 1985.

- to foster close cooperation among member countries with a view to safeguarding their interests in relation to the tin export industry through the maintenance of remunerative and stable prices for tin and the intensification of research and development and dissemination of technology in order to further expand the use of tin;
- to promote the value added of tin exports through the processing of tin in producing countries;
- to facilitate cooperation in the marketing of tin.[80]

The association, headquartered in Kuala Lumpur, Malaysia, now consists of all the producer country members of the Sixth International Tin Agreement, and also Bolivia, and represents over 90 percent of western world tin production.

In the year and a half of discussion and debate leading up to the formation of ATPC, a major point of division was whether or not the ATPC agreement was to contain economic provisions such as stocking arrangements. In the event, it was decided not to provide competition for the International Tin Council and the International Tin Agreement but to complement the work of the ITC. An important function of the ATPC is to provide an umbrella body over the International Tin Research Institute (ITRI), headquartered in London, England.

In the aftermath of the 1985/86 tin crisis one must wonder what the future holds for the Association of Tin Producing Countries and possibly also for the Tin Research Institute. It is conceivable that there could be implications for both organizations. With the very large tin surplus confronting international tin markets for some years to come, there is an even greater need for research into and development of new and/or improved uses for tin.

Sulphur

The International Sulphur Study Group holds informal meetings twice a year at various international locations, attended by government representatives of major sulphur producing countries. It is essentially a low-key forum for the exchange of views and statistical information. Discussions focus on production, sales, consumption, inventories, new uses, recent developments and major projects. The exchange of information is intended to lead to good planning and responsible marketing, but all decision making is left to those concerned. The group has no budget, no

80. Al Haji Mohammed Ibrahim Hassan, "ATPC - Articles of Association", Tin International, December 1983, pp. 456-460.

organization other than an elected Chairman and there are no records kept of the meetings other than the notes of each participant.[81]

Tungsten

In recent years, as a result of the frustrations of certain tungsten producing countries with the inability of the UNCTAD-sponsored tungsten meetings to achieve an international commodity agreement with binding economic provisions, a number of producing countries led by Thailand have attempted to form a Tungsten Producers Association, so far without avail.

81. G.S. Barry, Unpublished Memorandum, Department of Energy, Mines and Resources, Ottawa, Canada, 1984.

6. CONCLUSIONS

The international institutional environment of the 1965-80 period was "characterized by events reflecting a strong assertion of permanent sovereignty over natural resources by developing countries: by large-scale nationalization of minerals extraction; by renegotiation of existing contractual arrangements; by the coming into being of state enterprises; and by the coming into being of a number of commodity producer organizations".[82] These events brought about attempts at commodity management, state intervention in commodity markets, attempts to organize markets, conflicting positions from different political ideologies, and generally a failure to focus on real commercial issues.

In the 1970s, commodities were a central feature in discussions of international economic relations. They enjoyed the attention of UNCTAD IV at Nairobi in May 1976 when Resolution 93 IV, which enshrined the Integrated Programme for Commodities and its companion piece the Common Fund for Commodities, was adopted. In UNCTAD V at Manila, three years later, Resolutions 124 (v) and 125 (v) were adopted; these resolutions elaborated on some of the proposals made in the Nairobi resolution, in particular those relating to the establishment of a framework for international cooperation with respect to local processing, marketing and distribution of commodities exported by developing countries, and also on the need for the establishment of a complementary financing facility. In UNCTAD VI in Belgrade in June 1983, Resolution 156(v) reaffirmed the new emphasis of UNCTAD on processing, marketing and distribution (PMD).[83] Resolution 124(v) (Manila, 1979) set out the scope of PMD pro-

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82. Thomas W. Walde, "Mining Legislation and Mineral Development Agreements", United Nations Secretariat, New York, USA, presentation to conference on Role of Government in Mineral Resources Development, Bangkok, Thailand, December 1983, Institution of Mining and Metallurgy, London, England.

83. Brief details of the PMD proposals contained in Resolution 125(V) of UNCTAD V are:
    - facilitation of the process of redeployment of productive capacities for commodity processing to development countries;
    - improvement in the competitiveness of natural products competing with synthetics;
    - increased market outlets for processed and semi-processed commodities exported by developing countries;
    - adequate financial resources for expanding primary commodity processing in developing countries;
    - liberalization of market access, particularly in developed countries, for primary and processed production from developing countries;

posals and Resolution 156(v) (Belgrade, 1983) outlined the procedure for their implementation. Between these two UNCTAD conferences, meetings on PMD were held in the UNCTAD Committee on Commodities and its Permanent Sub-Committee. There was no real discussion of issues and none of the meetings registered any progress. An important unresolved issue is whether PMD activities should be commodity specific (the view of Group B countries) or whether a cross-country framework should be adopted (the view of the Group of 77). Not surprisingly, then, in the world economic climate of the 1980s, no progress has been made towards meeting the objectives of PMD, as conceived by UNCTAD.

A striking feature of the early 1980s has been the worst world recession since the Great World Depression of the 1930s. This has led to a collapse of commodity prices, in real terms, to their lowest levels for half a century. The main reason for this commodity crisis is that the developing countries, which did not have alternative sources of employment and foreign exchange earnings, increased their production of commodities for export at a time when demand for these commodities by developed countries was stagnant or even decreasing. The decrease in demand in developed countries was, in turn, due to the stagnation or even decline in their level of real output, coupled with a decline in inventories caused by exceptionally high interest rates. A fundamental contributing factor to the serious nature of the recession was the high level of capital investment commitments (encouraged by high market prices) made by both private multinational corporations and developing country state corporations (the latter usually supported by financial assistance from multilateral financial institutions), during the 1970s, to large mineral projects in both the developed and the developing world.

In this economic environment, the mid-1980s may have witnessed a change in international efforts to consummate international mineral commodity arrangements with binding economic provisions. The patently unsuccessful efforts by UNCTAD under the Integrated Programme for Commodities to conclude agreements for the five minerals in the Integrated Programme and the difficulties experienced in the international mineral commodity agreements which do exist, i.e. for tin, and also for tungsten,

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- improvement in market transparency, including action where appropriate to improve the functioning of commodity exchanges;
- necessary technical and financial support for the development of national marketing and distribution systems of developing countries;
- contracts, practices and arrangements governing the marketing of commodities;
- elimination of barriers to fair competition between marketing enterprises of developed and developing countries.

have led to a sense of frustration and dissatisfaction on the part of the developing world and to some evidence of a sense of realism within UNCTAD itself.

The developing countries have given greater attention to the formation of producer-only organizations, such as the recently created International Tin Producers Association, and the Thai initiative to create a producer-only organization for tungsten. In contrast, UNCTAD is giving consideration to the creation of a number of intergovernmental consultative fora for individual minerals, comprising both producers and consumers, all under UNCTAD auspices. The hope may be, of course, that these will be stepping-stones for full-fledged commodity agreements to be consummated at some later date.

Outside UNCTAD, there exists the consumer country initiative for individual autonomous intergovernmental consultative fora, along the lines of the International Lead and Zinc Study Group, for nickel and copper. There is also a continued willingness on the part of many consuming countries and some producing countries to consider such arrangements for tungsten and for some minerals (iron ore, tin, and manganese) in the Integrated Programme for Commodities.

The very concept of the IPC has posed fundamental problems for Canada as a developed, resource-producing country that is not clearly or wholly part of any of the major world trading groups. There has always been the possibility that Canada would have to "pay" twice for any new resource assistance scheme: first, as a developed country financial contributor; and second, through a transfer of resource production capacity and loss of resource markets. Many of the elements of the IPC could have implications for Canadian national sovereignty, through some loss of control over Canadian freedom to produce and sell minerals and metals in competitive world markets. This could result from intergovernmentally-imposed mandatory restrictions on exports and/or production, or from a transfer of production capacity from developed producing countries, e.g. Canada, to developing producing countries. The latter situation could come about either by direct methods (i.e. a government commitment to expand production in developing countries at a faster rate than in industrialized countries) or by indirect means (i.e. financial, market and technical assistance to mineral ventures in developing countries which would in effect give them a competitive advantage over the Canadian minerals industry). Indeed, through its national philosophical commitment to the concept of providing both bilateral and multilateral development aid to the developing world, Canada has knowingly witnessed a measure of transference of production capacity to developing producing countries.

Therefore, for Canada, as one of the world's great trading nations, outside any of the major trade groupings, the IPC contains elements that are artificial with respect to the realities of international trade in minerals and metals. There is a recognition of the inability of artificial restrictions to solve the problems of international trade. The technical difficulties associated with the application and/or imposition of price ranges, buffer stocks and supply management techniques for individual minerals and metals are insurmountable in the real world, if not in the short term, then certainly in the medium and long term - and the author would contend that this applies to the short term as well. In international commodity agreements, commodity price ranges are usually set so high that they act as a disincentive to consumption, thereby encouraging substitution; at the same time, they also act as an incentive to production, thereby increasing overproduction and low market prices. The commodity agreement becomes the production security for individual producers, which cease to pay attention to market forces. Commodity agreements are governed by a set of rules and regulations which some individual member countries inevitably endeavour to "circumnavigate". Commodity agreements have a tendency to develop into a quasi-cartel, and away from an emphasis on market competitiveness. In short, they tend to adopt a market support approach rather than a market stabilization approach.

Moreover, meetings under the UNCTAD auspices are often unwieldy, with greater participation than necessary from those with interests other than the technical and economic subject matter of the specific commodity concerned. They frequently do not provide an easy environment in which to reach consensus, but rather are characterized by confrontation.

Canada has always been willing to discuss the problems of specific internationally traded minerals in multilateral fora, with the view that open and informed discussion might contribute to acceptable solutions. In confirmation of this attitude, the Canadian approach to international commodity agreements, as enumerated at UNCTAD IV, contain the following elements.

- Problems facing trade in individual agricultural or industrial raw materials should be considered on a commodity-by-commodity basis. Canada does not, in this regard, have preconceived views as to whether commodities may or may not be suitable candidates for intergovernmental cooperation.

- The most appropriate course of action of a commodity should not be prejudged. Rather, the feasibility and appropriateness of the vari-

ous alternatives should be examined against the background of a thorough assessment of, inter alia, the market conditions and prospects facing the commodity.

- An intergovernmental arrangement in respect of trade in a particular commodity should not seek to supplant the operation of market forces. Rather, it should aim to promote more orderly conditions in the market consistent with underlying long-term trends.

- Intergovernmental cooperation pertaining to trade in a particular commodity, if it is to be viable and effective, should be devised and implemented jointly by the producers and consumers of the commodity concerned and should provide a balance of rights and obligations for both importers and exporters.

Those elements of policy, with few exceptions (uranium, and potash at the provincial level), have been consistently applied since World War II.

"Canada's trade policy is oriented principally towards maintenance of a free market trading system and avoidance of direct government interference in individual transactions. However, the instability of commodity markets is generally regarded as one of the major weaknesses of the international trading system and commodity agreements, though not a panacea, may, in certain cases, provide a practical approach in lending some stability to commodity prices and earnings".84

Although the Canadian attitude has been consistently that of addressing the problems of each mineral commodity on its own merits, there has been a clear preference for arrangements which comprise both producing and consuming countries. Within this preference, there has been a greater willingness to consider intergovernmental consultative arrangements. This latter policy carries the support of Canadian industry, which can see merit in an intergovernmental forum which provides for the presence of senior industry advisers, for a regular, business-like exchange of information on production, consumption, stocks, trade and capital investment plans. Industry would prefer any such forum to be autonomous, i.e. outside the politicized rhetoric of UNCTAD.

Autonomy makes it obligatory for the consultative body to reach its own informed conclusions and/or decisions. There is no higher "court" of

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84. Patrick James Caragata, "Non-Fuel Mineral and Canadian Foreign Policy: Negotiating from Strength and Weakness", Ph.D. Thesis, Department of Political Science, University of Toronto, 1980, p. 257 (from a background federal government paper presented in 1977 to a conference on commodities in Winnipeg sponsored by the Canadian Group of the Trilateral Commission).

appeal, composed, in the case of UNCTAD, of many countries not only with no direct interest in the mineral commodity concerned but possibly with other aims and objectives far removed from the specific mineral under consideration. For example, throughout the history of the Committee on Tungsten there has been a recurring round of appeal to UNCTAD's Trade and Development Board for resolution, and return to the Committee itself for further consideration, on the matter of economic provisions where there has been a lack of agreement within the Committee. The result has been that for several years the Committee has been effectively paralyzed and has failed to meet its underlying transparency-related objective of fostering useful dialogue between producers and consumers.

Regular intergovernmental consultations and the exchange of information provide a useful basis for each country, and for the industries within each country, to make their own individual assessment of the state of the world market. It better enables them to make realistic production and investment decisions for the mineral concerned. This helps to moderate cyclical tendencies and provide an element of stabilization in the international market, without the market rigidities and distortions which a full-fledged international commodity agreement with binding economic provisions would introduce. Some of the decision time lags are eliminated or shortened. Investments are more likely to be timed to correspond to consumption needs. Surpluses and shortages are reduced and price swings dampened. Indeed, transparency itself may increase the efficiency of normal market mechanisms, rather than lead to the imposition of measures to replace market mechanisms.

The opportunity for dialogue which intergovernmental consultative groups provide "tends to improve the exchange of information between private sector companies and their respective governments. They foster more accurate commodity assessment by companies and the respective government, thus paving the way for better business decisions on a voluntary basis".85

The balance of the 1980s will tell us whether reality will win over political rhetoric. If anything, however, has tipped the balance toward reality, it has been the 1985-86 tin market crisis and, in effect, the consequent collapse of the Sixth International Tin Agreement and the failure of the International Tin Council. Not only is it highly unlikely that there will be a Seventh Agreement, but Council activity (and inactivity) leading up to and following the collapse of the world tin market will undoubtedly condition the attitudes of most developed countries and many developing countries towards any future consideration of full-

85. The Mining Association of Canada, "A New Direction for Canada's Trading Strategy, Brief submitted to the Minister of International Trade, April 1985, p. 14.

fledged commodity agreements with economic provisions, in the field of minerals. Indeed, as already suggested, the tin crisis may well have decreased the probability that the Common Fund itself will become operational.

Intergovernmental consultations between developing and developed countries, involving specific minerals with an important international trade component, however, remain necessary and useful. The Study Group model for intergovernmental consultation and the enhancement of market transparency has proven, over time, to be beneficial to participating countries, without carrying risks of creating market rigidities or of imposing artificial restraints on trade, which are usually harmful in the medium to long term, if not in the short term. If and when initiatives for intergovernmental consultations arise, the question will be whether the intergovernmental body which might result from a particular initiative will be inside UNCTAD or autonomous. Weakening the pressures for autonomy will require a fundamental and convincing change of attitude within UNCTAD. This is when the minerals world will indeed see whether reality has won over doctrine and political rhetoric.

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THE AUTHOR

Keith Buck studied mining engineering, geology, and economics at McGill and Carleton Universities. He joined the Mineral Resources Division of Energy, Mines and Resources Canada in 1951, where he initiated studies in mineral economics and encouraged development of international links for the department. He participated in many international meetings, conferences, and led a number of Canadian delegations. Mr. Buck served as the first Counsellor for Minerals, Metals and Energy at the Canadian High Commission in London, and in 1977 was named Secretary-General of the International Lead and Zinc Study Group. In 1985 he was named distinguished visitor by the Centre for Resource Studies.

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